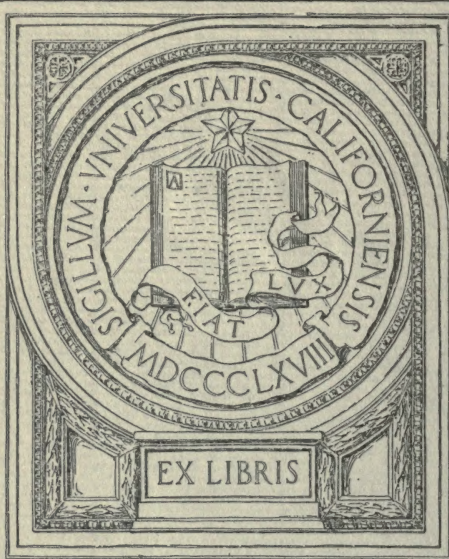



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Proceedings
OF THE
International
Trade Conference

Held under the Auspices
OF THE
National Association of Manufacturers
of the United States of America

In Co-operation with
Banking and Transportation Interests
of the United States

At New York City
December 6, 7, 8, 1915

— Univ. of
California

Issued by the
NATIONAL ASSOCIATION OF MANUFACTURERS
30 Church Street, New York City

Proceedings

HF56

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1915

International

Trade Conference

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of the

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December 7 & 8, 1915

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Printed by
S. S. Kneass

Printed in the

NATIONAL ASSOCIATION OF MANUFACTURERS

125 Broadway, New York City

FOREWORD

On the outbreak of the great war in Europe the National Association of Manufacturers issued a special bulletin in which it was said that "the immediate effects on the commerce and industry of the United States are second only to those of the belligerent countries. These effects are shown in the closing of stock exchanges, issues of emergency currency, fluctuations in prices, shortage of raw material supplies, interruption of ocean transportation, collapse of foreign exchange, markets for nearly half of our exports wholly or partly closed."

It was fortunate not only for the people of the United States but for those of neutral countries that the manufacturers and financial institutions of the United States were in position to withstand adverse conditions, and in the bulletin referred to it was further said that "the almost complete stoppage of the industrial machinery of the chief manufacturing countries of the world outside of the United States places a great duty on this country which its humanity alone would compel it to meet."

In issuing the call for the International Trade Conference, the proceedings of which are reported in full in this volume, it was said that in the year which had elapsed since the outbreak of the great war "many changes have taken place. Our stock exchanges have long been open, the emergency currency has been withdrawn from circulation, prices of commodities have steadied, ocean transportation to neutral countries has been provided with fair regularity, and steps have been taken to substitute dollar exchange for sterling exchange with the neutral markets of the world."

Nevertheless, despite the overcoming of some difficulties and mitigation of others, there have continued sufficient trouble and complications arising out of the great conflict to adversely affect business both international and domestic throughout the whole world.

Therefore, in issuing the invitations to business men to attend the International Trade Conference it was emphasized that "continuation of the conflict means prolongation of many of the troubles affecting commerce and industry," and that "the termination of hostilities will also create problems in the adjustment of commercial and industrial relations which again will react on commerce and industry throughout the entire world."

"Because of these facts and of the intimate relation of American business with that of the belligerent as well as neutral countries, it is especially desirable that a clear understanding of all the facts bearing on these matters should be had by the American business man and particularly the manufacturer."

It was felt that these were weighty and sufficient reasons for the calling of an International Trade Conference.

In order that it should be truly international invitations to send delegates were addressed to chambers of commerce and other commercial organizations and banks in all countries, the letters of invitation explaining the reason for the Conference in the following words:

"The object of this Conference is to consider ways and means for facilitating international transactions so seriously interrupted by the great war. To this end, the principal problems to be dealt with at the Conference will be those relating to transportation, credit and exchange. These subjects are of special interest to all countries, and we rely upon the coöperation of the business men of all countries to aid in solving these problems."

The replies to these invitations showed a wide and deep interest in the objects of the Conference and the attendance on account thereof was much larger and more representative than was expected would be the case in view of the difficulties affecting communication and transportation. The high and representative character of the delegates to the Conference will be seen from the printed list of delegates and organizations represented which will be found in the back of this volume.

The papers presented by authorities on the subjects treated and the discussions thereof have been materially helpful in at least clearly explaining the troubles and difficulties of the present time affecting the commerce of the world, and to that extent will aid in promoting the solution of these problems. In addition to this the meeting of representative business men from so many countries has necessarily resulted in a clearer mutual understanding of each other's requirements and special difficulties, and it is trusted has laid the foundation for that mutual sympathy which should lead to coöperation in the broader sense to overcome the present and prospective difficulties affecting the exchange of national products.

The great interest awakened in the subjects discussed by the Conference was shown by the comprehensive reports thereof and extracts from addresses which were printed in the daily and weekly press throughout the United States.

And while the great problems in finance, credit, transportation and exchange were treated by authorities on those subjects, the needs of the business man inexperienced in international commerce but desirous of becoming acquainted therewith were not overlooked. To that end sessions of the Conference were devoted to the discussion of sources of credit information, salesmanship and advertising, and groups of exhibits showing the facilities of ports of the world for handling shipments, model documents for use in facilitating the filling of orders from overseas and also examples of approved methods of packing goods so that they may be safely carried were arranged and proved of special interest to the delegates both from home and abroad.

W. M. B.

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NATIONAL ASSOCIATION OF MANUFACTURERS of the United States of America

As this volume will be sent not only to all delegates to the International Trade Conference but to commercial organizations, government officials, bankers and prominent business men in all countries, a few words describing the National Association of Manufacturers and the scope of its activities appear to be in order.

The National Association of Manufacturers is an organization whose active membership is confined to individuals, firms and companies engaged in manufacturing operations in the United States. It was organized at the city of Cincinnati in 1895 by manufacturers for the declared purposes of conserving the interests of manufacturers of all classes in their activities as manufacturers and employers and also for aiding and expanding the commerce of the United States with all lands. It started with a membership of several hundred manufacturers and has grown to be the largest national organization in the United States whose active membership is wholly made up of manufacturing establishments.

All manufacturing industries are represented in this membership, and as a rule by the larger proportion of the energetic and progressive manufacturers in each industry.

From its beginning the Association has taken an active part in the promotion of legislation believed to be in the interests of commerce and the country as a whole and through its annual conventions held in the leading cities of the country the attention of business men has been focused on the questions of the day affecting the business interests of the nation.

Largely through its instrumentality the Department of Commerce was established as a branch of the United States Government.

In 1901 it organized a great reciprocity convention at Washington which served to further impress on the business interests of the country and on its legislators the necessity for treating the customs tariff from a purely business point of view.

It has for many years been a leader in the movement for establishing a tariff commission which would afford the Congress of the nation that reliable and unbiased information concerning the effect of the tariff on the various industries of the country which is so necessary for the construction of a customs law that will best meet the requirements of the whole people and permit of the negotiation of commercial treaties with other lands in a business-like manner.

It has given especial attention to the labor problems of the country and while opposing the assumption of arbitrary power which has been attempted by some of the labor organizations and the efforts to place class legislation on national and state statute books, has on its part endeavored to promote legislation and measures which would tend to harmonize relations between employer and employed.

It has taken the lead as an organization in the advocacy of legislation for insuring workmen against accidents, to that end sending a special commission to Europe in 1910 to make a study of European

legislation of this character and the results thereof, and the printed report of this commission is a standard work of reference for students of this important subject. In these lines of activity the Association maintains committees devoted to industrial betterment, welfare work and industrial education.

In the field of international commerce the Association has also been active from the beginning. Twenty years ago the manufacturers of the United States as a class knew very little about other countries as possible markets for American manufactured goods. The Association, therefore, organized commissions of its own members and sent these commissions to various countries for the purpose of studying the markets of those countries and becoming acquainted with their business people. Such commissions visited several Latin-American countries and commissioners were sent to other lands, reports of these commissions and commissioners being issued in printed form and widely distributed.

The Association also established in the last century experimental sample warehouses on a large scale in South America (at Caracas in 1898) and the Far East (at Shanghai in 1900).

Still broadening this line of work the Association in 1914 sent a commission to Australasia and the Far East not only for the purpose of looking into the commercial conditions but also for studying the effects on Australia and New Zealand of their legislation on industrial and social matters.

In order to be of practical service to its members in the international field the Association has gradually built up and now maintains a corps of some 1,800 correspondents located in every country and nearly every city of commercial importance throughout the world.

Fully realizing that commerce between countries to be mutually satisfactory cannot be one-sided but must be based on the exchange of products, the Association has always offered its services free of charge to the business men of all countries desirous of securing reliable information concerning the United States and its industries and its services in this respect have frequently been utilized by the representatives of governments, by special commissions from other countries as well as by individuals from abroad who visited the United States for the purpose of making a study of its institutions, products, industrial establishments or people.

The general offices of the Association are conveniently located in the City of New York and its Foreign Trade Department maintains a large staff of linguists so that no matter whether or not a visitor understands English he may feel assured of finding at this office someone familiar with his own language and able to afford him all the information he may need for accomplishing the purpose of his mission with least loss of time.

Finally it is desirable to bear in mind that the Association does no buying or selling and engages in no activities for private pecuniary gain. It is supported solely by annual fees from its members and all its revenues are devoted to the welfare of its members either directly in personal service or indirectly through courtesies to their actual or prospective connections in other countries.

W. M. B.

GENERAL COMMITTEE ON ARRANGEMENTS

Representing the National Association of Manufacturers

- | | |
|--|---|
| GEORGE POPE (<i>Chairman</i>), Hartford, Conn.
President, National Association of
Manufacturers of the United States | C. R. JOHNSON, San Francisco, Cal.
President, Union Lumber Co. |
| W. C. ALLEN, New York
President, Yale & Towne Mfg. Co. | FREDERICK J. KOSTER, San Francisco, Cal.
President, California Barrel Co. |
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Vice-President, Joseph Dixon Crucible
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Manager, Foreign Department, General
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President, Sherwin-Williams Company | J. W. RAWLE, Philadelphia, Pa.
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Editor, Manufacturers Record | EDWIN C. SHAW, Akron, Ohio
Vice-President, B. F. Goodrich Co. |
| C. C. HANCH, South Bend, Ind.
Treasurer, Studebaker Corporation | ERNEST G. SWIFT, Detroit, Mich.
Gen'l Manager, Parke, Davis & Co. |
| ALVIN HUNSICKER, New York
Secretary, Standard Oil Cloth Co. | |

Representing Banking Interests

- | | |
|--|--|
| JOHN CLAUSEN, San Francisco, Cal.
Manager, Foreign Department,
Crocker National Bank | DAVID H. G. PENNY, New York
Vice-President, Irving National Bank |
| F. ABBOT GOODHUE, Boston, Mass.
Vice-President, First National Bank | CHARLES H. SABIN, New York
President, Guaranty Trust Company of
New York |
| W. S. KIES, New York
Vice-President, National City Bank | |

Representing Transportation Interests

- | | |
|---|--|
| GEO. D. DIXON, Philadelphia, Pa.
Vice-President, Pennsylvania Railroad
Company | JULIUS KRUTTSCHNITT, New York
Chairman, Executive Committee
Southern Pacific Company |
| P. J. FLYNN, New York
Vice-President, Delaware, Lackawanna
& Western Railroad Company | W. E. MULLINS, New York
General Manager, Freight Dept.,
United Fruit Company |
| FAIRFAX HARRISON, Washington, D. C.
President, Southern Railway Company | A. H. SMITH, New York
President, New York Central Lines |

Secretary

WILLIAM M. BENNEY, 30 Church St., N. Y.
Manager, Foreign Trade Department,
National Association of Manufacturers

PROGRAM OF THE CONFERENCE

The Conference. The International Trade Conference has been called in order to bring together men from all countries interested in the development of the commerce of their respective lands in order to ascertain as far as practicable through the exchange of views and opinions in what way or manner international commerce may be promoted and facilitated under the present exceptional conditions and thus pave the way for rehabilitation and extension of commercial transactions.

Responsibility. Neither the National Association of Manufacturers nor the banking and transportation interests coöperating with the Association is responsible for opinions, statements, or criticisms that appear in the papers or may be made by the speakers.

The War. It will not be permitted to introduce or discuss matters affecting the attitude or policies of governments in connection with the great conflict now waging in Europe.

Recommendations. No resolutions will be accepted, but recommendations may be handed to the Secretary for submission, without reading, to a Committee on Recommendations.

Any delegate desiring to submit remarks or opinions to be read to the Conference by the Secretary is requested to submit them in typewritten form, in duplicate, with the understanding that they can only be read if the time allotted to those who are to deliver their remarks orally is not exhausted.

First Session, Monday, December 6, beginning 9:45 a.m.

- 9:45 A.M. Conference called to order by Colonel GEORGE POPE, President of the National Association of Manufacturers.
- 10:00 A.M. Address of Welcome by His Honor, the ACTING MAYOR OF NEW YORK.
- 10:15 A.M. Response and address by Colonel GEORGE POPE, as Chairman of the Session.
- 10:30 A.M. "*General Review of Commercial Conditions.*" Dr. ALBERT A. SNOWDEN, of the National Association of Manufacturers.
- 10:50 A.M. "*France.*" Baron JACQUES DE NEUFLIZE (of the banking house of De Neufize & Cie., of Paris), as delegate of the Paris Chamber of Commerce.
- 11:00 A.M. "*Russia.*" Mr. ALEXANDER WLADIMIROWITSCH BEHR, Vice-President and Delegate of the Russian American Chamber of Commerce, of Moscow.
- 11:15 A.M. "*Australia.*" Hon. P. E. QUINN, Deputy Trade Commissioner of New South Wales.
- 11:35 A.M. "*Brazil.*" Mr. ANTONIO CARLOS DE SOVERAL, Delegate of the Chamber of Commerce of Bahia.
- 11:50 A.M. "*Colombia.*" Mr. FRANCISCO ESCOBAR, Delegate of the Chamber of Commerce of Bogota.

Program of the Conference

Second Session, Monday, December 6, beginning 2 p.m.

- 2:00 P.M. "*Norway.*" Mr. TRYGVE WETTRE, Delegate of the Chamber of Commerce of Christiania.
- 2:15 P.M. "*Transportation and Foreign Trade.*" Professor EMORY R. JOHNSON, Wharton School of Finance and Commerce, University of Pennsylvania.
(Discussion under 5 minute rule)
- 3:00 P.M. "*Preparedness.*" Mr. GEORGE D. DIXON, Vice-President of the Pennsylvania Railroad Company, Philadelphia.
(Discussion under 5 minute rule)
- 3:45 P.M. "*Legislation Necessary for a Merchant Marine.*" Mr. BERNARD N. BAKER, Baltimore, Md.
"*A Naval Auxiliary Merchant Marine.*" Mr. ROBERT W. WOOLLEY, Director of the Mint, representing the Administration's viewpoint.
"*An American Merchant Marine: What the Business Men Desire and What the Country Needs.*" Hon. WM. H. DOUGLAS, New York City.
(Discussion of above subjects by Mr. P. H. W. ROSS, President National Marine League of the United States; Capt. WM. P. WHITE, Treasurer Lowell Paper Corporation, Lowell, Mass.; W. I. YOUNG, Vice-President International Traders, Ltd., New York, and others)

Third Session, Monday, December 6, beginning 8:15 p.m.

Chairman: Mr. J. H. TREGOE, Secretary of the National Association of Credit Men, New York.

- 8:15 P.M. *FOREIGN CREDIT REPORTS AND HOW OBTAINED.* (An Informal "Round-table" Discussion).
a. *Character of Information Needed in Credit Reports.*
b. *Sources for Securing Foreign Credit Reports.*
c. *The Desirability of Exchange of Experience with Foreign Accounts.*

After the opening remarks discussion of these subjects will be limited to the five-minute rule unless the audience authorizes an extension of the speaker's time.

There will be in attendance, prepared to offer information and make suggestions, the staff of the Credit Reports Bureau of the National Association of Manufacturers, representatives of the leading commercial agencies, representatives of banks doing a foreign business, as well as export managers and credit men who have given this subject careful study.

International Trade Conference

Fourth Session, Tuesday, December 7, beginning 10 a.m.

Chairman for Tuesday: Mr. THEODORE C. SEARCH, of Philadelphia, President National Association of Manufacturers from 1896 to 1902.

10:00 A.M. "*International Trade and Finance as a Sign of National Prosperity.*" Mr. JOHN CLAUSEN, Manager Foreign Department, Crocker National Bank, San Francisco, Cal.

10:20 A.M. "*Credits Against Imports and Exports.*" Mr. GEORG VON SEEBECK, of the Guaranty Trust Company, New York.
(Discussion under 5 minute rule)

10:45 A.M. "*The Making of an Export Policy.*" Dr. E. E. PRATT, Chief, Bureau of Foreign and Domestic Commerce, Washington, D. C.

(Discussion by Mr. CHARLES DENBY, Vice-President, Hupp Motor Car Co. Detroit, and others)

11:15 A.M. "*Credit and the Future of American Foreign Trade.*" Mr. V. GONZALES, Banking Adviser of the National Association of Manufacturers.

(Discussion by Mr. WM. E. PECK, President, Wm. E. Peck & Co., New York, Mr. O. P. STEHN, General Sales Manager Hydraulic Pressed Steel Co. Cleveland, and others)

12:00 NOON. "*The International Situation and Future Trade Relations.*" Hon. JOHN BASSETT MOORE.

(Discussion by Mr. F. B. WHITNEY, General Counsel, Lake Torpedo Boat Co., Bridgeport, Conn., and others)

Fifth Session, Tuesday, December 7, beginning 2 p.m.

2:00 P.M. "*The Levant.*" Mr. J. WYLIE BROWN, Executive Secretary, American Chamber of Commerce for the Levant, and Mr. ROBERT C. RINDELAUB, of Constantinople and New York.
"*Sweden.*" Mr. JOHN ASPEGREN, of New York, representing the General Export Association of Sweden.

2:30 P.M. "*Foreign Branches of American National Banks.*" Mr. ERNEST E. LING, Manager Foreign Trade Department, National City Bank, New York.

"*An American Bank for Foreign Trade.*" Mr. JOHN J. ARNOLD, Vice-President, First National Bank, Chicago, Ill.

"*An Independent Bank for Foreign Trade.*" By the Committee on Banking and Currency of the National Association of Manufacturers (Mr. LUDWIG NISSEN, Chairman, Mr. JAMES MAYNARD and Mr. V. GONZALES).

(Discussion of the above three papers under the 5 minute rule)

4:00 P.M. "*Foreign Securities and the American Investor.*" Mr. MORTIMER L. SCHIFF, of Kuhn, Loeb & Co., New York.

"*Foreign Securities and Their Influence on American Foreign Trade.*" Mr. J. SANTILHANO, of the Guaranty Trust Co., New York.

(Discussion of above two papers under 5 minute rule)

Program of the Conference

Tuesday Evening, December 7

BANQUET

Hotel Astor, at 7 p.m.

- Speakers:** His Excellency DOMICIO DA GAMA, Ambassador from Brazil.
His Excellency FEDERICO ALFONSO PEZET, Minister from Peru.
Mr. W. S. KIES, Vice-President, National City Bank, New York.
Professor JEREMIAH W. JENKS, of New York University.
- Toastmaster:** Mr. JAMES A. EMERY, Washington, D. C.

Sixth Session, Wednesday, December 8, beginning 9:45 a.m.

Chairman for Wednesday: Mr. WILLIAM MCCARROLL, of New York.

- 9:45 A.M. "*Italy.*" Mr. GUIDO ROSSATI, Commercial Attaché, Italian Consulate, New York.
- 10:00 A.M. "*Australia.*" Mr. PERCY RODERICK MCLEAN, Director of Frazer & Best, Ltd., Sydney.
Lieut. J. J. SIMONS, of Perth, Australia.
- 10:15 A.M. "*Persia.*" Mr. H. H. TOPAKYAN, Imperial Persian Consul Gen'l.
Mr. HERANT M. KIRETCHJIAN, First Secretary Imperial Persian Consulate General.
- 10:30 A.M. "*The Extension of Foreign Banking Relations.*" Mr. BENJAMIN JOY, Vice-President, National Shawmut Bank, Boston, Mass.
(Discussion under 5 minute rule)
- 11:00 A.M. "*Present Foreign Exchange Conditions.*" Mr. DAVID H. G. PENNY, Vice-President, Irving National Bank, New York.
(Discussion under 5 minute rule)
- 11:30 A.M. "*The Development of the American Discount Market and Its Relation to Foreign Trade.*" Mr. JOHN E. ROVENSKY, Manager Foreign Exchange Department, National Bank of Commerce, New York.
(Discussion under 5 minute rule)

Seventh Session, Wednesday, December 8, beginning 2 p.m.

- 2:00 P.M. "*India.*" Mr. NUSSERWANJEE MANECKSHAW MARSHALL, Merchant of Bombay, London and New York.
- 2:15 P.M. "*Advertising in Foreign Trade.*" Mr. HUGH M. KAHLER, New York City, Editor "How to Export."
(Discussion by Mr. F. S. PHILLIPS, Export Manager, American Ever Ready Works, Long Island City, N. Y., and others)
"*What the Department of State Should Do for our Foreign Trade.*"
Hon. WILLIAM B. FLEMING, Foreign Trade Adviser, Department of State.
- 2:45 P.M. "*Coöperation in Foreign Trade Development.*" Mr. H. C. LEWIS, General Manager, National Paper & Type Company, New York City.
(Discussion by Mr. F. V. N. PAINTER, President, Comas Cigarette Machine Co., Salem, Va., and others)
- 3:30 P.M. "*The American Salesman Abroad.*" Mr. LOUIS C. M. REED, of the Chamber of Commerce of the United States.

INFORMATION BUREAU: A desk will be found in the annex at which all may apply for information regarding the Conference, or delegates thereto, or for any information desired.

Interpreters: Members of the staff of the *Foreign Trade Department* of the NATIONAL ASSOCIATION OF MANUFACTURERS will be in attendance to aid delegates from abroad who may not be familiar with the English language. They will be there to interpret into and from *French, Spanish, German, Portuguese, Italian, Scandinavian, Russian and Japanese*. (Apply at Information Desk).

Foreign Trade Information: Members of the *Foreign Trade Department* staff of the NATIONAL ASSOCIATION OF MANUFACTURERS and of New York banks will be in attendance to give general information to those specially interested in such subjects as *Foreign Credit Reports, Foreign Exchange, registering of Trade-marks, Customs Tariffs, Forwarding and Insurance*. (Apply at Information Desk.)

Geographical Divisions: A number of tables will be found in the annex rooms with the names of foreign countries thereon. This means that any delegate or group of delegates desiring to obtain special information regarding those countries, or to meet delegates therefrom, may have the opportunity of doing so by applying at the table or at the Information Desk.

EXHIBITS

Committee on Exhibits: WALTER F. WYMAN, Export Manager, Carter's Ink Co., Boston, Mass.; HAROLD B. GREGORY, Export Manager, Patton Paint Co., New York; F. W. KEOUGH, Editor, "American Industries," New York.

Examples of Approved Methods of Packing Goods for Foreign Shipment. The packages themselves will be shown as put up by firms of long experience in export trade. The exhibits will include a wide variety of goods packed with various objects in view, such as strength, lightness, prevention of pilferage, attacks of water, vermin, climate, etc.

History of an Export Order. In this exhibit will be shown the model forms and documents used in executing, shipping and financing foreign orders. A booklet elucidating the chief points of this exhibit will be distributed.

Bureau of Foreign and Domestic Commerce. Publications, etc., on foreign trade and illustrations or explanations of ways and means adopted by the Government Bureau for promoting the export trade of the United States.

Pan American Union. Publications, etc., showing the work which this institution, supported by all the republics of North and South America, is doing in promoting their social, industrial and commercial welfare.

Ports. Photographic and diagrammatic illustrations of the facilities and advantages of the principal American ports for handling foreign trade will be shown together with pictorial views of leading foreign ports.

[NOTE.—In this exhibition a remarkable series of COPYRIGHTED panoramic views of South American cities has been kindly loaned to the Conference by Mr. I. F. SCHEELER, of Philadelphia.]

International Trade Conference

Hotel Astor, New York City

FIRST SESSION

Monday Morning, December 6, 1915

THE Conference was called to order at 10:15 A.M., by the Chairman, Col. George Pope, President of the National Association of Manufacturers of the United States of America.

THE CHAIRMAN: The Conference will please come to order.

I have the pleasure of introducing to you first His Honor, the Acting Mayor of the City of New York, Mr. George McAneny, who will welcome you to this city. (Applause.)

Address of Welcome by the Acting Mayor

MR. MCANENY: Mr. Chairman, ladies and gentlemen: I am very sorry that Mayor Mitchel, because of his illness, is unable to be here. I know that he is. But his misfortune sometimes is my better fortune, and I am glad that I, at least, have the chance, as Acting Mayor, to welcome you, and to give you some idea, possibly, of the gratification that we feel in New York City that you have come here for this most important purpose, and that you chose our town as your place of gathering.

The growth of your Association itself has been phenomenal. That I have readily discovered by a mere glance at your literature.

You are devoting yourselves not merely to the advancement and better development of the great manufacturing interests that are represented in your membership, but you are doing a splendid public and social work in the development of a better understanding of those measures that are intended for the relief and improvement of the working conditions of those who serve you. In that respect there is a natural partnership between you and those who are at work along governmental lines to accomplish the same purposes. It sounds rather familiar, for instance, to a member of the city government of New York, to hear of what you are doing to advance the cause of a proper workmen's compen-

sation scheme, and of what you are doing for better fire prevention and for the adoption generally of up-to-date safety devices. These are all things that are in our own program. We are at work on them, too, from day to day; and I have long since come to the conclusion that the best results are those that we are going to secure through a union of just such bodies as yours and the forces of government itself; because these things make not merely for economy in themselves, not merely for better results generally, but they make very largely for the improvement of the conditions under which American men work and make their living; and that, of course, is the thing that ought to be nearest our hearts all the time.

In your more direct work, however, in the development of your own interests, you have managed to gather together in one Association those who represent more than one-half the manufacturing output of the United States. That, in itself, as a triumph of organization, is something at which we must stop and wonder. The improvement of the individual condition of each of your members cannot but be aided when you represent a force such as that; when you are able to compare notes upon a scale such as that, and to agree upon those measures that are of common interest and common importance.

As to your plan for this week, the bringing together of this International Trade Conference at a time when it is in the mind of every thinking man to consider questions that have to do with our international trade, questions that are looming so large, and where so much will depend upon their proper solution—I regard that as an incident of national importance.

My satisfaction in seeing you here upon such a mission is two-fold. It is selfish largely, because whatever you may do to improve the conditions of international trade is bound to reflect itself largely in the increased prosperity of our own great port; but my satisfaction from the patriotic point of view is even greater.

I am sure you are convinced that the unusual affairs which are now passing, creating unusual conditions in manufacturing and trade, shall not be permitted to pass without some careful regard for the future that is to follow, without some plan for the better adjustment of things when the war has ended, and preparedness for peace has settled down as our immediate object.

I am sure that you will permit no losses to come because there has not been preparation for that readjusted basis of trade and manufacturing that must follow, and which, if properly adjusted,

is bound to redound greatly to the profit and the improvement of the United States.

Your bringing together distinguished representatives of these interests in other countries is a signal accomplishment; representatives not merely of our trade with the countries that so soon, let us hope, shall be at peace on the other side of the water, but of the great nations to the south of us, where I have always believed the largest opportunity of all awaits us.

These things you are going to do more intelligently in the future because of the addresses and the papers you will hear from these gentlemen during the week and the discussions that are bound to follow.

I think, too, that you must have in your plan a closer relationship with our own government and what it is doing in these matters.

I recall that fifteen or more years ago I served as chairman of a national committee of civil service organizations, the object of the committee being to secure a better consular service, a better way of doing things through our consular representation. Mr. Harry Garfield, who is now president of Williams College, served as chairman of a corresponding committee representing the chambers of commerce and boards of trade of the country, and we worked together in getting into Congress the so-called Lodge bills, in getting executive orders that ran ahead of acts of Congress, and in doing whatever it was possible to do to put our consular service upon a business basis, rather than upon a basis of transient politics. You know that a great deal has been done since that time; that some things that occurred in the old days are no longer possible, and that actually our consular service, through splendid organization in the Department of State, and through the proper arrangement of every branch of its great system throughout the world, is beginning to serve trade in an immeasurably better way.

I was interested the other night, in sitting next to Secretary Redfield, at a dinner here in town, in some notes that he showed me indicating what the daily service of the consular news is now doing, and the orders that had been placed with American firms through the use of the service that the Department of State offers and the Department of Commerce offers without charge to anyone whomsoever. I understand that the system there is merely for any firm to file its application with the departments at Washington to have copies of these trade dispatches, these in-

dications of where great orders may be placed, and that an immense amount of business has been placed in that way.

That relationship of which I spoke a moment ago in the cities, where all your great plants are, that relationship between the manufacturer at home and his own city government in bringing about better local conditions affecting his business, is reflected, in turn, on this vastly greater scale, in your relationship as a whole to the government of the United States.

I have been satisfied that at least much greater attention has been given by our government to these matters of the great peace of the future and the improvement of our industrial and trade relations than to the possibility or the hope, in some quarters, of war. I am glad that there is a program of that kind shaping out so well. Its expression is found in what the State Department and the Department of Commerce are doing.

Now, gentlemen, there is every reason for great hope for your own future. There is every reason to believe that great prosperity must come—perhaps it is a bit sad to think of it, that we are to have so great a share in it while the cruel and gradual readjustment goes on abroad; but at least it is our duty to make the most of it, not only for our own benefit, but in order that America may better serve those on the other side of the sea who will be left so largely dependent upon us when the trouble is over.

I congratulate you upon what you are doing, and I again express my gratification that you are here in New York. I hope that you will have an eminently successful week of reporting and of discussion, and I know that out of it will come a program that will inure greatly to our common benefit. (Great applause.)

THE CHAIRMAN: I am sure, gentlemen, that we all appreciate the very kind words that have been spoken to us by His Honor, the Acting Mayor, and you may be sure, delegates from home and abroad, that New York has given you a hearty welcome.

Address of Col. George Pope as Chairman

Ladies and gentlemen, members of the Conference: In welcoming to this Conference on behalf of the manufacturing, banking and transportation interests of the United States the delegates from home and abroad with whose presence we are honored, I express for the organization the leadership of which has been

entrusted to me the gratification afforded by this impressive gathering of men great in affairs.

On another occasion I interpreted the spirit of the chartered purposes of the National Association of Manufacturers in the one word "service"; service first to our country, second, service to our fellow men, both the toilers in the humblest trades and the men of genius charged with vast industrial responsibilities, and, lastly, service to the perpetuation of our magnificent manufacturing industry.

In the twenty-one years of our history as an organization a great measure of our service has been the promotion of knowledge and influence of the United States in lands beyond our borders. We have cultivated in an intimate way the acquaintance of other nations; we have sought their coöperation and their good will; we have lent our aid to closer bonds of official connections.

Gentlemen, this International Trade Conference has been called by the National Association of Manufacturers for the purpose of bringing together representatives of the business interests of all countries who have at heart the development of the commerce of their respective lands in order, by the interchange of views and opinions, to ascertain as far as may be practicable in what way or manner international commerce may be promoted and facilitated under the exceptional conditions now prevailing, and thus aid in paving the way for the resumption of trade relations along normal lines and the further extension of commercial transactions with one another.

In this work the Association has had the cordial coöperation of leading representatives of banking and transportation interests of the United States.

It has been the aim of the General Committee of Arrangements for this Conference to make it truly international in its scope, and to that end invitations were sent out several months ago to commercial bodies and banks in all countries.

To these invitations we have most cordial responses, and in view of the difficulties of travel under present conditions the attendance of representatives directly from foreign lands is most gratifying.

Many trade bodies in acknowledging the invitation have stated that, while not able to send delegates, they would be much interested in having a report of the proceedings sent to them, and it is our intention to have the papers and proceedings printed in book form, so that all delegates interested may secure copies.

In all, delegates to this Conference have been appointed by trade bodies and banks in twenty-five countries.

We wish to make the procedure of this Conference as simple as possible, so that no unnecessary time may be taken up in the discussions. Therefore, the Committee of Arrangements decided that no resolutions should be passed. This we think is only fair to the various trade bodies represented, as the prime object of the Conference is an educational one, and intelligent decisions on all controversial matters which may be brought up could not be made without further debate and study.

Therefore, instead of a Committee on Resolutions, it is the intention to appoint a Committee on Recommendations.

Those desiring to make recommendations will please hand them typewritten, in duplicate, to the Secretary of the Conference, who without reading will hand them to the Committee on Recommendations.

In voting on recommendations which this Committee may present, seeing that the delegates present would not be in a position to commit their various bodies to any one line of action, it has been decided that the voting shall be by individuals instead of by delegations. Therefore, each delegate present will be entitled to a vote on such recommendations as may be presented.

The recommendations which may be approved can then be taken up by each delegation with its respective body for further action.

Now, I wish to emphasize what has been placed on the program with respect to responsibility. Neither the National Association of Manufacturers nor the banking and transportation interests coöperating with the Association is responsible for opinions, statements or criticisms that appear in the papers, or which may be made by the speakers in their addresses. On the other hand, all persons may feel themselves at liberty to speak freely their opinions on any of the subjects before the Conference, within the time limits set for the addresses and discussion.

One other matter I perhaps scarcely need to refer to, and that is that the Committee has instructed the Chair not to permit the introduction or discussion of matters affecting the attitude or policies of governments in connection with the great conflict now waging in Europe.

As many of the papers have been printed and distributed they will not all be read in full, but their authors will summarize them,

bringing out their chief points, thus allowing more time for open discussion.

From this Conference which we are beginning we shall learn many delightful, fruitful lessons. From it will come to all of us, in face to face meetings with men from all parts of the world gathered for frank expressions of their views and for the enlightened study of problems and perplexities, a greater enthusiasm for the success of our commercial relations, an increase of prosperity through foreign trade. May this great gathering, by reason of the increased knowledge which it will impart of conditions and needs in foreign trade, be the harbinger of a greater interest and activity in the pursuit of commerce when amity shall prevail among all nations and they lay aside the weapons of war to travel again the pleasant paths of peace.

Dr. Albert A. Snowden will now address the Conference, giving a "General Review of Commercial Conditions." Dr. Snowden is a member of the staff of the National Association of Manufacturers and for many years has made a special study of trade and industrial conditions in the United States and European countries. In 1914 Dr. Snowden was a member of the Foreign Trade Commission of the National Association of Manufacturers which visited Australia and the Orient. This Commission would have continued its investigation by a tour through Siberia and Europe, but the outbreak of the war necessitated its return to the United States by way of the Pacific. Dr. Snowden.

General Review of Commercial Conditions

By DR. ALBERT A. SNOWDEN,

Of the National Association of Manufacturers

A brief review of commercial conditions must be restricted to a very few general remarks. Such observations have no particular value, but may serve to bring some phases of the situation before the Conference as preliminary to the more expert and detailed treatment of them by the learned and skilled authorities here present.

The War an Economic Earthquake

The war has been a titanic earthquake in the economic world, upheaving the structure of industry, estopping the rivers of commerce and finance or diverting them into new and unexpected

channels. Of the physical world you will recall that "the destructive vibration accompanying an earthquake advances in a series of waves from one or more deeply situated central points called *foci*"; and, further, that "the destructive effects vary with the nature of the ground through which the vibration passes and with the distance of the place in question from the *focus*." Local conditions, an underlying sand-bed, for instance, may check the effects of the shock.

And so it is with the war. The *foci* of this economic upheaval are in Europe, of course. The "earthquake weather" preceding the shock was too brief for warning. The prophets were catapulted into bankruptcy. Chasms and fissures have riven the earth; as a volcanic island is wont to rise and disappear, a whole nation sinks from view in a night; mountains of wealth are crumbling, and the jagged peaks of stupendous national debt loom ominously in the darkening tempest. To the uttermost parts of the earth are felt the rumbling and crashing, the destructive vibrations, of this economic earthquake.

Relations with Zone of Upheaval

Distance, in economics, depends more upon relations than upon mere latitude and longitude. South Africa and the Australasian antipodes, bound up not only politically but financially and commercially with a section of the War Zone, shouldered a heavy burden. Chile, which runs its government and supports a large part of its population by the production of nitrate, was well-nigh ruined until its commerce began to find a new outlet. The coffee-producing countries of Central and South America were hard hit. Cuba had in its valuable sugar crop, and in its predominating trade with neutrals, an "underlying sand-bed" that checked the economic shock. Scandinavia and Holland found one current of trade impeded, but gained another. The situation in the United States may be called mixed, with the present advantage in favor of the sand-bed and the cyclone-cellar.

Commerce, Exchange, Credit, Upset by War

The initial upset cut off our exports; gave King Cotton such a shock as he has not had since the Civil War; and spilled a tidal wave of American gold in the direction of Europe. Shipping was demoralized. The moratoria upset credit arrangements. Exchange rates soared into rare atmosphere. Then came a reverse flood of orders from Europe for goods—provisions and equipment. This outcome has kept a large portion of our popu-

lation feverishly busy, and has given the exchange experts another set of problems. The war has not only familiarized us with bank acceptances, it has sent the whole world to school to study exchange, and it has stimulated our financial wizards to invent some new device, some sort of economic gyroscope, to stabilize exchange. For on the stability of exchange our trade depends.

Readjustments Necessary

We have become accustomed to the continual readjustments demanded by the situation of the past sixteen months, not only in the financial world, but in manufacturing, exporting and importing—in production and trade of all kinds. Least harmed, on the whole, are the producers of food-stuffs in neutral countries, for while the granaries of Russia are filled to bursting with cereals that have no market outlet, the fields of Western Europe are ravaged by invaders and defenders alike. The shortage of male workers and of draught animals, makes Europe turn to American methods of farming by motor-driven machinery, even in the case of small plots which will be machine-farmed through coöperation.

Other readjustments are many and important. The popularity of the wooden *sabot*, in one section of the world, and of the cloth-topped shoe, in another, was a result of the sudden shortage of leather. The enormous demand for woollens for the out-of-doors life of gigantic armies has put a strain upon *this* industry. The exceeding prosperity of our steel trade is the result of a demand that became acute when the principal coal and iron regions of Continental Europe were enclaved behind a wall of bayonets. The cutting off of our supply of mineral dyestuffs stimulated science and capital to new achievements; meanwhile, the vegetable dyestuffs regained prominence. We are importing antimony from China; spelter from Australia; nitrate and iron ores from Chile; copper from Peru, and tin from Bolivia, in new and unheard of quantities. Our entire producing, manufacturing, commercial and financial methods are being modified and revised because of the great World War.

The so-called "war business," or the provisioning of the belligerent nations, has been the most important factor in the broadening of business improvement in the United States. The gratifying increase in railroad earnings; a large proportion of the five-billion-dollar external trade, and the entire two-billion-dollar export trade balance of the twelve months, are the result of the war

stimulus. This increase of trade bids fair to awaken other lethargic industries—to encourage the lumber industry, and building operations, for instance.

The Dearth of Shipping

But there are numerous obstacles in the way of our international trade. The European war not only eliminated the two largest merchant fleets from active commerce—leaving an interior port, Cleveland, Ohio, as the headquarters of the world's largest line of steamers actually engaged in trade—but it swept from the seas all merchant vessels of the nation that was second in ocean-trafficking-power. The combined merchant marine of the United States has, of course, stood second among the nations of the world for a great many years, but since a large part of its tonnage has been confined to the Great Lakes, and another considerable section has been occupied in coastwise and river navigation, we have had relatively few ships in the overseas traffic. Because of the war hundreds of the principal ships of other countries have been diverted from ordinary trading for use as army transports, cruisers, scouts, mine-layers and supply-ships for the belligerent armies and fleets. Many of the proud argosies of commerce—vessels, cargoes and human freightage—lie at the bottom of the ocean. The constructive efforts of shipbuilders have been divided between the creation of destroyers and the replacement of what has been destroyed. In the United States the ill-advised Seamen's Act, foolishly intended as a betterment, has had the effect of a flotilla of hostile submarines directed against our own merchant marine.

Effect of Panama Canal on Trade Routes

That same world-conflict which has disturbed and decimated shipping has temporarily prevented the Panama Canal from exerting a normal influence upon those readjustments in the trade routes of the world that were anticipated in times of peace. To be sure, the ocean commerce between our Western and our Eastern ports had greatly increased up to the time when the recent earth-slides interfered with the operation of the Canal; and through traffic to and from the Northern Orient had been greatly facilitated. But Australasia, due to the war, the wool embargo, and the dearth of ocean-carriers, has not yet turned, in a wholesale manner, to its natural trade outlet, the United States, and more particularly to the Eastern section, which the Canal brings near as a market for duty-free wool, duty-free meats, and

for the other extensive primary products of the vast and fertile dominions beneath the Southern Cross. The anticipated heavy traffic between Europe and the Orient, via the Panama Canal, has not as yet materialized, and the dearth of ocean carriers is felt in our own trade with China, Japan, and the West Coast of South America, via this route. The ending of the war will improve this situation.

Trade Follows the Flag, the Investment, the Loan

Long ago we accepted the truism that "trade follows the flag," and our own experience, both colonial and foreign, within the past few years, proves that *trade weakens when the flagstaff wobbles*. In normal times, foreign trade in manufactured goods follows investment in the foreign country quite as consistently as trade follows the flag. And export trade not only follows investment in foreign industrial and commercial enterprises, but trade follows the foreign loan, particularly when the buying of a certain amount of goods in the creditor country is stipulated, as is the general practice among the nations—a practice sometimes disregarded by such underwriters as think too much of quick commissions and too little of permanent benefit to the home country. The entrance of some of our leading banking concerns into the field of foreign financing tends to safeguard the general interests in this respect. Plans for closer coöperation in this matter between bankers and exporting manufacturers are being developed. A monumental corporation for international financing affords the promise of helpful achievements.

Stoppage of European Investments Abroad

The sudden cessation of foreign and colonial financing—except for the financing of the immediate necessities of the conflict—by the European peoples now at war, has left a remarkable hiatus in the funds available for the upbuilding of the undeveloped nations and colonies of the earth. Before the war, the rate of foreign investment by the countries of Western Europe was at least \$1,500,000,000 per annum. Every continent drew upon that compact group of states for the wherewithal of industrial expansion. British investments abroad totaled \$17,500,000,000; French foreign investments, \$8,000,000,000; German foreign investments, \$5,000,000,000. Belgium had \$250,000,000 invested in Russia alone, and the outflow of Belgian capital to China, Persia, Africa, South America, and to other quarters of

the earth, was noteworthy. Italy and Austria, too, were heavy exporters of capital.

With the coming of the war, the belligerent nations restricted loans to their colonies and dependencies to the most imperative requirements only. European investment abroad virtually ceased. Stocks and bonds of foreign investment enterprises, previously held, were to a large extent resold to the foreign nationals, and the process still continues.

The United States as an Investor Nation

Coincident with the business revival of 1896, Americans began to re-purchase from Europe stocks and bonds of our own railways, and the stock control of railroads like the Illinois Central, the Pennsylvania, the New York, Ontario and Western, the Louisville and Nashville, and the Reading, favored by the foreign investor, passed into American hands. Before the close of the nineteenth century we began to invest heavily in foreign enterprises—the London tubes, Swiss municipal bonds, and so forth, while American investments in Canada, Mexico, China, and other countries began to assume very extensive proportions, our investments in Mexico predominating. The time has now arrived when the United States is taking its place as a premier investor nation, and for the first time our actual holdings of foreign securities exceed in amount the total of American securities held abroad. Our export of capital has suddenly become larger than that of Great Britain in its palmiest days before the war.

And, within the same year, London, which succeeded Amsterdam as the world's financial center at the close of the Napoleonic Wars, and for a century has held undisputed sway, hands over the golden sceptre, temporarily, at least, to New York.

Banks and Railroads Enter Foreign Field

With the entrance of the United States into large-scale financing abroad, some of our leading banks and railroads have been familiarizing themselves with the foreign field, or have actually established foreign branches or connections. This movement commenced before the European war was upon us, but the present times are in many ways especially propitious for such enterprises. Several years ago the annual output of the manufacturing industries of the United States began to exceed, in money value, the combined annual output of any two other nations of the earth; and the factory production of the members of the National Association of Manufacturers, alone, began to exceed

the total annual production of any single foreign nation. The development of our country having reached a certain stage, the domestic production began to go vastly beyond the home requirements, and a foreign outlet for the surplus became imperative.

Pioneering Export Trade

This situation had been foreseen by leaders in the National Association of Manufacturers, who had organized that body, in 1895—over twenty years ago—for the chief purpose of promoting our foreign trade. It was somewhat later before the Association's activities were broadened to include the relations between the employer and employee, general industrial betterment and other departments.

At a hearing before the U. S. Industrial Commission, in Washington, March 4, 1899, Mr. Theodore C. Search, then President of the N. A. M.—and he is present at this Conference—reviewed the Association's efforts for the promotion of foreign trade and described how it had worked for the establishment of a U. S. Department of Commerce; for the reform and improvement of our consular service so that it would render assistance to American manufacturers and merchants; for the placing of the consular system under the proposed U. S. Department of Commerce; for enabling the establishment of foreign banking facilities through American banks, particularly in South America and the Orient; for government protection to the dyestuffs industry; for industrial schools, separate from, but allied with, the public schools system, to train workmen to compete with the skilled foreign artisans; for commercial education, by means of special schools; for the construction of the Nicaraguan Canal—the route then favored, and still favored by many people; for the upbuilding of a mercantile marine under the American flag, with subsidies to cover the extra cost of American ship-labor. (In those days, we remember, one was obliged to go via Europe, when traveling to farther South America.)

How the American manufacturers pioneered the foreign field, either singly or with such aid as the National Association, the Government departments and other agencies could give them, is common knowledge. The desultory traffic of the early years became a well developed campaign for the placement of the growing surplus of factory output. When domestic business, for reasons of the times, had slackened fearfully by the spring of 1914, the European war, coming soon thereafter, whether god-send or

devil-send, has furnished a much needed foreign trade for the American manufacturer, and employment for the American workman.

Interdependence; Coöperation

Without manufacturing you would have neither railroads nor tonnage for railroads, for whether you are carrying grain, timber, cotton or wool to the mills, or coal or ores to the furnaces, it is the manufacturing industries of the country that furnish the chief reason for the existence and the growth of the railroads and the banks. Conversely, there is such an interdependence of these three types of institution that no one of them could thrive without the others. Our foreign trade, therefore, as well as our domestic trade, depends upon the mutuality of these three elements, and for the first time in the history of our export trade we have reached the point where the hearty and extensive coöperation of the railroad managements, the bankers and the manufacturers is beginning to be seen. This is cause for congratulation.

Tendency Toward Technical Training of Workers

There is little occasion to gloat over the figures of our present exports, if the items are examined in detail. The demand for our raw materials, or provisions, or for manufactured goods to fill a temporary need, is the outstanding feature to be noted. If our export trade is to acquire a more permanent character, it will have to secure a firmer foothold in the supplying of machinery and of other highly specialized manufactures suited to the *constant* demands of civilization. Russia, Australasia and the Argentine will soon distance us in the surplus production of cereal and other foodstuffs. The more populous sections of the earth will outdo us in the volume of manual labor that may be performed. The growing popularity of the industrial continuation school as a means for affording technical training to the masses of our citizenry may insure us a permanent place as world-suppliers of certain products, as no other plan will. This is the lesson which Europe offers. The matter is of prime importance to our workmen, and, secondarily, to our manufacturers, but it is also a movement to be earnestly promoted by all who are interested in the growth and the stability of our trade.

Export Trade Schools and Courses

Further signs of commercial preparedness are not lacking. The export trade school is a natural outgrowth of the demand for

a broader knowledge of foreign trade conditions and methods. Such a school was inaugurated by the National Association of Manufacturers a few years ago, and was successfully conducted, but was abolished as soon as our great institutions of learning began to take an effective interest in the topic and established supplementary evening courses to meet the new requirements. The scope of these courses is designed to be extremely practical. A group of evening-school students, who in their daily employments are dealing with the practical problems of export, finds the customary text-books on industrial and commercial geography, for instance, strangely lacking in some of the matter that is of most importance to the trader. The usual texts are exceedingly deficient in the detailed treatment of *machinery as a factor in commerce*. They treat mainly of raw materials—iron ores, wheat, raw cotton, etc.—factors which bulk large in the world's commerce, but which do not offer the abundant difficulties in trade promotion and trade competition that are encountered in extending sales of manufactured goods—the raw-materials-group of articles, generally speaking, flows more naturally, and with less circumstance, toward the localities where such goods are needed; the manufactured goods may require for their introduction in the new territory much detailed study of local needs, much promotive and educative effort. The more highly the goods are treated or modified in the plants of the manufacturers—for example, machine-tools—the more the trader needs to know about them and their adaptability to the conditions to be found in various localities of the earth. Furthermore, goods are sold to the majority of foreign peoples under very special conditions (to us most peculiar), and by very special methods. Broadening information and helpful advice may be furnished to the novice through the export trade school. No one expects it to be a substitute for the school of experience.

Improvement of Foreign News Service

Trade of any kind, world-trade in particular, requires, incessantly, the getting and the giving of information. The constant improvement of the means for the interchange of commercial facts with other nationals is essential to the rational expansion of international trade. The government of the United States and our leading organizations and financial institutions have lately increased the facilities for the interchange of such information. Our industrial news service to other countries is being facilitated

through the same agencies. Perhaps, at no distant time, even our own Philippines may be accorded a commercial news service that will enable the newspapers in those islands to secure cabled press information supplemental to that which is now derived from a foreign agency, or from the meager bulletins that are released by the executive offices of the Government.

Send Direct Representatives

It is coming to be more thoroughly understood that the American manufacturer who desires to build up his foreign trade must send his own representative direct to the foreign country, to push the sales, to furnish detailed and intimate information as to the character and the capabilities of the product and the facilities of his house for making adjustments or readjustments, and to coöperate with whatever local agents may be appointed. This plan is becoming recognized as the safest way of building up permanent trade. And no other kind is worth while.

Coming Adjustments

Producers everywhere are keenly alive to the tariff and manufacturing readjustments to be faced after the war. The probable low cost of labor in certain foreign countries is to some a cause of apprehension; others believe that the skilled labor of the belligerent nations has been demoralized and damaged immeasurably. That machinery will be used more and more to assist production is a settled conclusion. To some persons the dyestuffs situation, the foreign embargo on wool and other commodities, and the dumping probabilities, emphasize the necessity for tariff readjustments; on the other hand there is an appreciation of the fact that an investor nation must have large importations of goods. Self-sufficiency in the providing of our own requirements is strongly advocated by some individuals; others realize that no nation can be fully self-dependent—that a division of labor among the nations, each excelling in its own specialties, is as necessary as is the customary division of labor in the productive activities of the home country. Certainly, trade cannot long remain one-sided. We must buy *from* others as well as sell *to* them. There must be a middle ground between self-sufficiency and coöperation.

International Coöperation—World Service

At a time when peoples of the earth are using more metal for the purpose of hurling deadly missiles at each other, than was employed in the entire arts and sciences of civilization from the

beginning of the world down to the discovery of America, it may not seem *apropos* to refer to international coöperation. And yet the war itself furnishes, on the one side and on the other, a most thorough exemplification of international coöperation. Indeed, we are looking forward, with earnest expectation, to the time when there shall be no two sides to the question of war—when the great world-family of nations will unite to restrain international strife as a species of civil war that is inimical to the welfare of the world community, and to be suppressed by the common consent and by the common machinery, just as we now call upon the fire department to extinguish an incipient conflagration, or the police department to suppress a riot.

The international trader, going up and down the earth, is the advance agent of a developing civilization, conveying to us the peaceful practices and ideas, the discoveries, and the products, of other intelligent and industrious peoples; or carrying to the furthestmost parts of the earth the refinements of our own civilization. International trade, in its higher aspects, means *world-service*.

THE CHAIRMAN: We will next hear from Baron Jacques de Neuflize, a member of the well known banking house of de Neuflize & Company of Paris. He comes to this country with a double mission, one as a delegate from the leading chamber of commerce in France to this Conference; the other as a member of the French Commercial Commission now in this country.

I have the pleasure of introducing to you Baron Jacques de Neuflize. (Applause.)

Address of Baron Jacques de Neuflize

Delegate of the Chamber of Commerce of Paris

M. le President: La Chambre de Commerce de Paris m'a fait l'honneur de me charger de vous apporter, à l'ouverture de ce congrès, ses compliments et ses vœux.

The Chamber of Commerce of Paris has not forgotten the response they received from the American organizations at the Conference of June, 1914, in Paris, and the important part which the American delegates took in that conference. Scarcely had the conference finished when the war broke out.

We are still fighting for our right to exist as a nation, but in the meanwhile the chambers of commerce of France, and the most important of them, the Chamber of Commerce of Paris, have not

given up their work. We are looking ahead for the better times to come.

The first few days were fraught with darkness and uncertainty caused by the unexpected mobilization. The sudden call away from their normal activities of the greatest part of our young male population presented a problem not so simple of solution. But very quickly those who remained behind, with a proper feeling of their duty to the men who were fighting, pulled themselves together, and now French trade and industry have had, taking into account what we had to undergo, the most wonderful recovery. This justifies our confidence in the future and increases our determination to work.

Now, the trade between our two countries is bound to develop by leaps and bounds and that is why, besides the natural wish to accept an invitation of an Association of the importance of yours, the Chamber of Commerce of Paris is exceedingly interested in the discussion of these next few days. May they lead you to a new development of American international trade, and taking our own point of view, of your trade with our country.

I ask you to allow me to add a few personal remarks.

It seems so wonderful to me. A month ago I was suddenly recalled from the front by the French Government to come and join here the French economic mission, of which you have already heard. It seems such a contrast to be suddenly working on matters of trade and peace. And that is why I cannot help mentioning how grateful I am for all the demonstrations of sympathy I and my confrères have received since our arrival here. I have been deeply moved by all you Americans have *done* to relieve the sufferings caused by this war, but most of all by the way in which you did it. I knew of many qualities of the Americans. I did not include in them modesty. But you have shown such a modesty in your work. The only reference I ever heard from Americans as to what they were doing was their regret that they were doing so little. In the light of what you have actually done and are still doing it astounded me—it astounds me so much that I cannot express as I would like my gratitude.

Mr. Chairman, in the name of the Chamber of Commerce of Paris I wish you good luck and good results from the work of the conference which opens to-day.

THE CHAIRMAN: The Russian-American Chamber of Commerce is a body organized by a number of the most prominent

business men in Moscow, with whom our Consul-General at Moscow, Mr. Snodgrass, has cordially coöperated. The Chamber since its organization has been very active in seeking to promote more direct trade relations between Russia and the United States, and the gentleman who will now address you is in this country partly for the purpose of continuing this good work.

I have the pleasure of introducing to you as the next speaker, Mr. Alexander W. Behr, Vice-President and delegate of the Russian-American Chamber of Commerce of Moscow.

Address by Alexander Wladimirowitch Behr

Vice-President and Delegate of the Russian-American Chamber of Commerce of Moscow

Mr. President, Members of the National Association of Manufacturers, Honorable Guests: The Russian-American Chamber of Commerce of Moscow, whose constitution and by-laws were graciously attested and signed by H. I. M. the Emperor of Russia under date of May 24, 1913, and whose vice-president I have the honor to be, appointed me as its delegate to this convention with the request to put before you gentlemen the vast possibilities and numerous advantages of closer commercial and financial relations between the great Republic and the great Empire.

In all history there is no precedent for America's present achievement in rising to the highest rank and gaining economic and financial superiority in so short a space of time. Evolution so great as this heretofore has come only as a result of continuous, energetic and intelligent effort extending over scores of years. In your case, however, the European war brought about this evolution so spontaneously and unexpectedly that a question of tremendous importance rises before you—the question of the best policy to retain and further develop the advantages gained by this evolution.

It is not my intention, gentlemen, to attempt to instruct you or to warn you, and I beg you not to interpret my words in that way. It is only that I foresee grave problems before you which you must overcome if you are to retain that advantage and that I cannot but foresee that to accomplish this you will be contemplating the enlargement of your foreign markets. Even now one can observe in many instances your efforts to fundamentally study the foreign markets and to investigate their possibilities for your products in order that you may retain in the future the high rank you now hold. I have not the least doubt that this very im-

portant problem will be successfully solved with your usual energy and efficiency.

You Americans do well to hold high the banner with the slogan, "Honesty, Fairness and Frankness"; and I believe that to the steadfastness with which you have followed it is due half your victory. I have had the great honor and pleasure of meeting the best of your best men, and it was with a sense of profound satisfaction that I observed the frankness with which they conversed with me, a stranger to them. This gives me the privilege to reciprocate and to put before you to-day not less frankly my views on the prospects of future trade between Russia and your country. I have no doubt that this trade will bring with it profits and advantages *not only to my country but in no less degree to yours as well.*

Scarcely more than a year ago, on a previous visit to your country, I was amazed to observe the intense state of depression which existed here. Everywhere was gloom, despondency, almost despair. The tremendous shock caused by the opening of the war in Europe with the complete upsetting of foreign trade and financial relations apparently led many thinking men to believe that America was bound to suffer fully as much in its business and financial affairs as any of the great nations which had plunged directly into war.

But that there were some far-seeing men who adopted a perspective which enabled them to peer into the future and weigh the probable compensating factors became apparent upon my return to your country two months ago. What a transformation! Prosperity returning rapidly; wheels in every factory turning, some by night as well as by day; securities which had been all but spurned at any price a year before mounting to record figures, those of one group of twenty-five industrials on your New York Stock Exchange having advanced in value during that period by more than a thousand million dollars. In the first ten months of the present year I found your imports of gold had exceeded exports by more than \$170,000,000 and that in the same period you had piled up a trade balance of approximately fifteen hundred million dollars. When one realizes that the heaviest excess of exports in any previous full year was \$691,000,000 and that that figure was regarded as extraordinary at the time, the figures for the present year must be looked upon as nothing short of amazing. But, gentlemen, if you are prepared to take full advantage of the opportunities which lie before you now there is reason to

believe that not only will your great prosperity continue but that it will grow greater and greater year by year. With your increasing wealth and prestige you will reach out further and further beyond the seas and the harvest you will reap will be limited only by the extent of your endeavors.

In the great country from which I come to you America has always been looked upon with a great feeling of friendship. It is not necessary for me to recount to you evidences of the long sustained friendship which the people of Russia have borne toward your country. Your own history tells the story to you. Remember two instances in the year 1812 and the third one during the Civil War.

Russia's Natural Resources

Russia, with her 180,000,000 people scattered over one-seventh of the earth's surface, has such a store of natural resources awaiting development as can be found nowhere else in the world. According to an estimate by Professor Loutugine in 1914 Russia has a reserve of some 250,000,000,000 tons of coal. She has countless millions of tons of iron and copper, gold and silver, platinum, lead, manganese, mercury, nickel and other metals. Her oil fields, as yet only partially developed, stand second in production in all the world; and in her forests, which cover one-fourth of the Empire's vast area, is the world's reserve of timber. And above all Russia produces an unlimited supply of materials demanded by America, such as hides, skins, bristles, furs, wool, etc., etc.

Russia can furnish all the raw material, all the operating energy and all the labor required, not only to supply her own great home markets but many other European markets as well.

So you see it is not as an applicant asking favors that Russia has to come; rather she comes bearing gifts such as none other can give. She holds out this opportunity because Russia is your friend and because you are Russia's friend. Neither has a political "axe to grind" and when American dollars come to Russia for investment they have no political taint upon them. It is to America alone of all the world that Russia can look for capital without some political motive behind it; and Russia is done forever with the political rouble which has controlled her industries in the past.

To make my point clear, let me summarize briefly our industrial situation before the outbreak of the present war.

Russia's Imports

In our imports Germany had a very large share. In the year 1913, for instance, of Russia's total purchases of simple iron and steel amounting to \$10,630,579 Germany supplied \$8,410,341, while from America came only the value of \$137,542. In simple machinery of iron and steel amounting to \$18,747,730 Germany supplied \$14,626,050 and America \$211,342.

Other imports included :

Pig iron manufactures, total, \$1,721,274; from Germany, \$1,-366,837; from America, \$20,553.

Manufactures of copper alloys, total, \$5,306,686; from Germany, \$4,708,065; from America, \$15,136.

Tin plate manufactures, total, \$3,015,333; from Germany, \$2,653,491; from America, \$15,631.

Metal working machinery, total, \$6,585,616; from Germany, \$5,488,934; from America, \$244,405.

Dynamos and electrical motors, total, \$5,008,348; from Germany, \$4,431,762; from America, \$14,180.

Parts of machinery and apparatus, total, \$9,559,144; from Germany, \$6,966,330; from America, \$601,254.

Electrical appliances, total, \$3,506,284; from Germany, \$3,-196,215; from America, \$51,576.

Musical instruments, total, \$3,395,279; from Germany, \$3,-020,612; from America, \$10,390.

Motor cars and trucks, total, \$8,951,095; from Germany, \$7,-102,264; from America, \$300,760.

These examples have been selected at random and are representative of the conditions which existed throughout the entire list of articles imported into Russia. They are enumerated not only to show the evil effects of political capital investments in our country, but also to show the great volume of imports which would be unnecessary if our own resources were properly developed. With American capital and genius operating our mines and our factories with the cheap and efficient labor procurable in Russia, this immense volume of trade could be made to originate and end within the Empire to the great profit of the investors. With our protective tariff, the low cost of labor and your efficient manufacturing methods there would be no fear of competition from any quarter.

Aside from the political influences, the dominating reason for the great excess in our imports from Germany as compared with other countries has been also the low cost of manufacture in Ger-

many owing to the low rate of wages which existed in that country. That, however, is a condition which henceforth will be altered. With the tremendous burden of taxation which must fall upon the German people as a result of the present war the whole mode of living in that country must be changed. Taxes imposed must be paid and in order to pay them workmen must receive far higher wages than have prevailed in the past. With the cheap and efficient labor to be obtained in Russia she herself should be by far the strongest competitor for her own home markets, and even for German and other European markets, against German or any other competition.

I am debarred from speaking to you upon a subject which could not but throw great light upon the situation I am endeavoring to put before you. But as a visitor to your neutral country I do not feel at liberty in any way to discuss the war in which my country is now involved. I can, for this reason, say to you only that I am a Russian, that I cannot but feel with all my heart and soul for Russia, that I believe implicitly in Russia, and that I am proud to be of a nation which in the fearful struggle in which she has been engaged has won within her borders a momentous victory over herself.

Russia's Economic Measures and Progress

By a single stroke of the pen which placed a prohibition upon the manufacture and sale of liquor the people of Russia have been relieved of a yoke of slavery more terrible than any other slavery that ever existed. Our people have been redeemed. Our country has been rejuvenated. Our moral and physical strength has been increased an hundred fold. By that scratch of the pen Russia relinquished an income of one thousand millions of roubles a year; but by the same act she reclaimed millions of men and assured freedom and happiness and prosperity to countless millions to come.

The increased efficiency and production of the Russian workman since the commencement of the war is almost incredible. Personally I know of manufacturing plants employing 20,000 to 30,000 men where, despite the fact that 10 to 15 per cent. of the workers have been called to arms and their places not filled, the production of the plants has not diminished.

It is not to patriotism alone that this is due. The prohibition of liquor has had a large part in bringing about this re-

sult; and the situation will continue to improve, assuring steady, dependable labor of the highest class in our industries.

Thus, with efficient, high-class labor which can be employed at wages averaging only 25 per cent. of the rate paid in America, with an inexhaustible store of all the raw materials, coal and water-power, those who come to develop our resources, having the whole-hearted support of our people, cannot but reap a splendid reward.

In the past only two representative American companies—the International Harvester Company and the Singer Sewing Machine Company—have made a determined and continued effort to produce their goods in Russia for the Russian market. Both of them have established themselves there on a firm and profitable basis.

Russia as a Field for Investment

With the far more favorable conditions which now exist every American dollar which comes to Russia will find its task easier than did those of the two American pioneers. It can take its profits in the development of our mines, in the extension of our railroads to open up millions of fertile acres to agriculture, in the transportation of the products of the soil, in the operation of factories and mills to supply the needs of our 180,000,000 population, in the exports of the products of all our great resources to other countries, in the manufacture in our own factories of such goods from raw materials as we must import from America and other countries.

All efforts to create closer relations between our two great countries are confronted with one severe obstacle, this being the surprisingly scant knowledge Russians have of America and Americans of Russia. The Russian-American Chamber of Commerce of Moscow was organized with the main object to largely contribute to the spreading of such knowledge in both countries.

My mission in America is to establish a Russian-American Chamber of Commerce in your country, which, coöperating with the Chamber in Moscow and its branches, is to become a source of authentic information, the channel for conveying mutual understanding. I am sparing no efforts and energy to obtain as leaders of this organization America's most prominent men whose association with our Chamber will prove to convince you of the final success of our aims to the advantage of both America and Russia and establish America's faith in this new organization.

I am sure the result of the activity of our Chamber in America in close coöperation with the Chamber in Russia, will soon convince you that the data on Russia, mentioned above is authentic, being rather over-conservative.

There need be no intermediary. We should build up between ourselves a direct commercial, industrial and financial alliance based upon friendship and profit rather than upon politics and greed.

Summarizing all above said we see on the one side Russia with its fabulous resources and wealth awakening to a new industrial era; Russia, whose capital, enormous as it is, is nevertheless insufficient for a development called for so spontaneously; and on the other side America, which over night accumulated capital so vast that it is forced to go abroad to seek for new markets for its investment. Considering this, it is only natural that our two countries should desire coöperation with each other, as such coöperation cannot but bring profits and advantages to both.

A long experience in commercial business and many years of association with prominent American business men has convinced me that one of the most important requisites of any success is to guard not only one's own interests but those of one's associates as well. There must be present always a spirit of "give and take" if one is to achieve absolute success and at the same time to build up intimate and lasting friendships. And, gentlemen, intimate and lasting friendship should be the aim of our two great countries, because such a cordial alliance will become a power that will govern the world.

THE CHAIRMAN: With the consent of the next speaker on the program and presuming upon your consent, I wish to introduce to you Dr. Theodor Kryshtofovich, Special Agent of the Russian Ministry of Agriculture, who will address you briefly. (Applause.)

Address of Dr. Theodor Kryshtofovich

Special Agent of the Russian Ministry of Agriculture.

DR. KRYSHTOFOVICH: Mr. President and Gentlemen: I am very sorry I must talk unprepared. I did not expect to talk, and Mr. President was so kind as to invite me to do it.

I take the liberty of speaking for two countries, for Russia

as well as as America, because on one side I am an official of the Russian Ministry of Agriculture and on the other side I am a California farmer.

For many years I lived in America, and I can tell you that I like both of these countries, and so I take the liberty to talk for both of them.

Mr. Behr explained Russian resources, so that I shall not touch upon that question.

I would like, however, to tell the gentlemen that we have so much work in our country, that, of course, we would like to help you in broadening your commerce; but I must say you must help yourselves in this question. The main reason why Americans are not quite successful in our country is that they lack the Russian language. That is the first thing. If a foreigner comes to some foreign country and wants to do some business, he must speak the language of the country; and I do not yet understand, if you are introducing in your high schools French and German in the East and French and Spanish in the West, why you would not introduce the Russian language in your high schools and teach your people that language to your advantage. That is the first thing.

Again, about the knowledge of the country. As Mr. Behr explained, it is very scarce in America. Americans, of course, are studying geography and the history of America in full, but about other countries the knowledge is very scant. I can speak on that point because my children went through American schools and I know everything about high schools and primary schools.

I spoke about history. The Russian history showed us that when Christianity was introduced into Russia we had no good voices to sing in the church, so we invited the Italians to come and sing in our churches. Now we have splendid singers who are going everywhere and giving concerts.

In the time of Peter the Great we had no skilled labor; we had no scientists; and Peter the Great introduced scientists from Holland and from Germany and from everywhere. Again, Catherine the Great continued his work and invited philosophers and doctors and scientists. Now we have philosophers and physicians and scientists, and so on.

The time has come, however, when we must teach our people business; and in that line you Americans are the first people of the earth. So I invite you to come to our country and teach us business and get profit from it. I would not like to go into too

much detail, because perhaps your Honorable President would not allow me sufficient time for that, and I am content only to tell you that there are very many empty places in Russia now in commercial lines. Come and take those places fully. You have no competition at all, in the wholesale trade, especially.

We Russians are a good natured people, we are an agricultural people, but we are not very good traders; we are not very good commercial men. I must admit that. So, without competition, you are welcome to come to Russia with her great resources and do business as much as you want to.

I think perhaps that is all that I have to say to you, gentlemen, at this time, and I think that as soon as you can come to our country you will change your opinion about us Russians, that we are not as civilized as another people, because perhaps some historical conditions were against us, but mostly a lack of knowledge is the reason for this. (Applause.)

THE CHAIRMAN: The next gentlemen who will address us is Honorable P. E. Quinn, Deputy Trade Commissioner of New South Wales. I have the greatest pleasure in introducing to you the Honorable Mr. Quinn. (Applause.)

MR. QUINN: Mr. President, Gentlemen of the Conference and Delegates from other lands: I need hardly say that I am delighted at this opportunity to meet the manufacturing interests of the United States in conference.

You have heard the representatives of some big countries, I mean countries that are big, that loom large politically, but territorially perhaps not as large as Australia.

One of my missions here as Trade Commissioner (I am now located in New York with a view to promoting the trade interests of the United States and Australia) is with the endeavor to put that little known Continent on the map.

(Following is Mr. Quinn's paper in full.)

The Trade Relations Between the United States and Australia

By HON. P. E. QUINN,

Deputy Trade Commissioner for New South Wales

During my stay, now extending over several years, in the United States, I have frequently felt the lack of interest which prevails in this country regarding the Commonwealth of Aus-

tralia—a lack of interest which is largely the offspring of a want of knowledge of Australia. I do not complain of this, for it is quite natural, and easily explainable. Australia is off the great highways of the old world in travel and trade, and has had to make a trail for itself. Half a century ago it was known mainly for its curiosities of animal and vegetable life. More recently it was made better known by its endeavors to solve old and vexatious problems by a program of social and humanitarian legislation, and to-day it is achieving sterner advertisement by the part its soldiers and sailors are playing in the great war. I desire to point out that it has other claims at this time on your interest.

In Australia we have only a small population—five millions of people, scattered over a territory as large as the United States—a continent with the population of New York. The slenderness of our population is one of the penalties of our geographical isolation. It is largely ascribable to the existence of America. When the people of the old world fared forth they chose the nearest of the new lands instead of the most remote, and America intercepted the tide of emigration, which would otherwise have flooded Australasia. But, from our point of view, the course of events which has left us with a small population is not without its admirable compensations; for that population is solidly homogeneous. More than 97 per cent. of our people derive directly from the United Kingdom. The residue, of non-English-speaking ancestry, are mainly from Northern European countries. In Australia we have no race problem. In that respect our horizon is cloudless.

Australia's Manufactures Developing

At the same time Australia welcomes the desirable immigrant, for its available hands are all too few for the many tasks which beset the attention of the nation. At the same time, too, we think we have done well with the resources at our disposal. Most of the world knows Australia as a great pastoral country—in that respect it is admittedly without a superior. Wherever there is weaving done the wools of Australia are known. But we are not now primarily a pastoral people. Taking the year before the war broke out our pastoral and agricultural output was worth \$624,804,125, while the output of our factories was \$808,030,000. Our mineral production totalled \$129,050,000. You will, as manufacturers, be interested to learn that the value of the plant and machinery in our factories was \$185,595,000. Much of that plant

and machinery was supplied by this country. But we import more than the machinery wherewith to manufacture goods. We import the manufactured goods themselves. The per capita wealth of Australia is very great, amounting to \$2,030. We imported in the last year for which I have the completed figures, goods to the value of \$433,750,000; that is, our imports per annum would build a Panama Canal every year, and leave something over for dredging out the slides in the Culebra Cut. In the same year we exported products to the value of \$441,250,000.

The United States Share of Australian Commerce

What share has the United States in this great commerce? That, I take it is the question in which this gathering is most keenly interested. Well, the share of the United States is very large; much larger than most people in this country imagine; that is when they give the matter any consideration at all, which, I fear, is not often.

And here I am constrained to voice a little grievance which we Australians cherish against you. I find in your papers and your public men's utterances, in the activities of your trade and commercial associations, in your national projects for commercial expansion abroad, an infinity of allusions to almost every country on earth excepting the Commonwealth of Australia, and, I might add, the Dominion of New Zealand. In some of your official publications we occasionally find Australia submerged in the meaningless title of "British Oceania." In the Department of Commerce there may be some meaning attached to this term, but it carries no meaning to the intelligence of Australians. Australia is a geographical and political entity which is entitled to its individuality in the statistics of other countries, and I very respectfully submit to those concerned that the designation "British Oceania" should now be abandoned.

This year you will supply Australia with about 14 per cent. of its total imports. The mysterious attraction of the Orient would appear to have cast a spell over the American mind, which is suffering from over-orientation at the present time. I have no doubt that many here will be honestly incredulous when I make the statement that for the nine months of this year ending September 30, you exported to Australia goods to the value of \$40,027,088, while you exported to Japan goods to the value of \$32,010,808. For those nine months Australia was a better customer for your articles of export than was Japan, to the amount

of more than \$8,000,000. We bought from you two and one-half times the value of China's purchases. Australia and New Zealand together took almost as many dollars' worth of American goods as those two great Eastern markets combined. Yet, I repeat, for one allusion to American trade with Australia, we find one hundred allusions to "Trade with the Orient."

Potential Oriental Competition

And, if you will pardon a play on words, such allusions are more or less in the nature of illusions. It is far from my intention to lecture this gathering, but there are some matters upon which I hold direct views, and I take it that a company of American business men, such as this, has a preference for plain speaking, when that speaking is well-intentioned. The Trade of the Orient may well look captivating, but that trade is not for you. The Orient will take care of its own trade in the near future. The world has had a lesson in the recent industrial and commercial history of Japan, of the range of the oriental mind, and the skill of the oriental hand. Before many years China will be similarly organized, and then the anxiety of the occidental civilizations will not be about invading oriental markets with their products, but about devising means to shut out the products of cheap, but highly-skilled and faultlessly-organized oriental labor. The position is simple: between the products of the labor which is paid in cents, and the products of the labor which is paid in dollars, other things being equal, there can be no competition. Labor-saving machinery will appear in the East, and so will American methods of standardization in factory work. There is one hope, which is that with all the other things the East will begin to drink the Western wine of high-living, and that in the future the oriental workman will demand as high a wage as the American workman. I am not going to say that such a thing is not to be, but if it is to come it will be at a time so remote that it will have no bearing on the problems of our generation.

Australia a Congenial Market

Setting out as America is on the search for new markets, you would do well to bear in mind that your most valuable, because most permanent markets, are those with which you have natural and economic affiliations; at least, that is how it looks to me. For instance, in discussing Pan-American trade it is announced that it is necessary for your commercial men to learn

the Spanish tongue. I sincerely hope it will be, for that is in itself an accomplishment. But in trading with Australia you are trading with a people who also speak the English language, and who to a large extent have similar traditions with yourselves in race and civilization. You are also trading with a people with the same standard of living as your own, whose wage-earners are as well paid as your own, and who can consequently afford to buy your goods.

To South America you sell more in the mass than to Australia, but per capita very much less. Quoting again from the Monthly Summary of Foreign Commerce of the United States I find that in the nine months ending 30th of September, you sold to the 45,000,000 people of South America exports to a total value of \$103,524,615, while you sent to the 6,000,000 in Australia and New Zealand, in the same period, exports valued at \$48,352,871. This brings me to the declaration that Australasia is not only a good market for your products, but is actually one of your best markets. There is ample room for expansion at the present.

In 1913 your exports to Australia totalled \$49,185,517. In that year the exports from Germany and Austria amounted to \$30,880,978. The trade with those countries, as far as Australia and New Zealand are concerned, is definitely at an end. I do not say that you can have all of this trade, but a large proportion of it will come to you, if you seize the opportunities now offered to you. Indeed, some of it is coming to you now, for your exports to Australia for this year will exceed last year's figures by approximately \$10,000,000.

The things you send to us are mainly: Manufactures, principally iron and steel, machinery, electrical appliances, surgical instruments, drugs, chemicals and medicines, soap, cameras, magic lanterns and phonographs, vehicles, motors and parts, rubber manufactures, lumber and wood manufactures, furniture resin, paints and varnishes, glassware, china and earthenware, lamps and lampware, leather and leather manufactures, musical instruments, fancy goods, clocks, watches and jewelry, etc., paper and stationery, apparel and textiles, tobacco, meats, fish, oils, hops, glucose, arms and ammunition. The list is too long to particularize.

What Australia Has to Sell

I am often asked what we have to send you in return to even up the balance of trade, being a producer of raw material,

and, unlike you, not being to any extent worth mentioning exporters of manufactured goods.

The figures published by the Department of Commerce adequately answer this question. From January to September, 1913, you imported from Australia goods to the value of \$7,677,699. In the same period this year the figures show the value of your Australian imports as \$22,631,959, a very remarkable increase. These imports consist mainly of wool, hides, gold, silver, tin ingots, zinc in concentrates and other forms, copper, pearlshell, copra, coconut oil, fur skins, oleo, stearin, and, in normal times, we sent you, fresh meats, prepared meats, butter and various fruits and vegetables. The trade in the latter commodities is rendered possible owing to the fact that our seasons are the reverse of yours. Your summer is our winter. Our season of high is your season of low production, and an opening is thus made for the interchange of fruits, vegetables, butter, etc. I should say that the imports from Australia for the period mentioned are swollen by the transmission of considerable sums of gold to this country in payment for goods purchased as a result of a drought experienced in Australia last year, and through other causes.

Direct and Regular Steamship Service Necessary

Trade between any two countries should be balanced, in order to ensure permanency. The balance of trade is, at present, heavily against us. We think that this is largely due to absence of regular means of transportation, and one of our chief aims is to obtain a regular service between New York and the chief ports of Australia. While there are many ships going down to Australia from New York, conveying American goods, these ships do not return. They are not American ships, and have no interest in returning to American ports from Australia. As to the American flag, it is a very welcome but very infrequent visitor to the harbors of Australia. In 1913 the United States provided 13 per cent. of the imports to Australia. In that year 61 American ships entered and cleared the Port of Sydney, with a tonnage of 95,279. Against this, German ships to the number of 508 and a tonnage of 1,540,352 entered and cleared that port; yet Germany only provided 7 per cent. of our imports. Japan, which only provided 1.22 per cent. of the imports had 94 entrances and clearances, and Norway, providing a scant 0.77 of the imports, had 245 ships with a tonnage of 286,744. Of the 61 American entrances and clearances, two ships, the "Ventura" and "Sonoma,"

were responsible for 24, as these boats carry on the mail service between San Francisco and Sydney. Their operations have been so successful that a third boat has now been placed on the run, making a tri-weekly service. The Pacific coast is now very well served for, in addition, the Union Steamship Company has three boats running between San Francisco and Sydney, and there is a monthly service between Vancouver, B. C., and Sydney.

The existence of the Panama Canal opens the way for a direct service between Sydney and New York. That service is necessary if you are to extend and consolidate your trade with the Commonwealth of Australia. I have no wish to intrude on your shipping controversy, but I may be permitted to hope that you will restore your mercantile flag to its former prominence. In a memorable passage Edmund Burke spoke of the achievements of your mercantile marine when you were a nation "in the gristle, as it were, and not yet hardened into the bone of manhood." The implied prophecy of this passage is unfulfilled to-day.

America's Opportunity

A concrete example of the direct bearing of facilities of transportation upon trade is provided in Commerce Reports for November 26 (number 277) in a report of the Commercial Agent of the Department of Commerce in San Francisco, which reads in part:

For the first time in more than a decade. . . Oregon paper mills are shipping their products to Australia. An order for 2,000 tons of news print has just been filled for Sydney, Melbourne, and other cities of the Commonwealth at the . . . plant of a large Oregon manufacturer, and the paper taken to Portland for shipment. . . . In former years the mills in the Portland territory did a heavy business with Australia, but on account of the lack of adequate shipping facilities, this business was lost, and the Australian people began buying their paper in Europe.

Lacking a permanent steamship service to carry your goods to Australia and the return trade from Australia to your eastern ports, your hold on the trade of Australia must remain precarious. And although the feeling of Australia towards this country is one of unqualified friendship you must take this into consideration: the end of the war will find several of the great industrial nations of Europe with enormous factories and plants on their hands, organized for a war purpose, but highly capable of serving the purposes of peaceful production. There will be millions of men released from the trenches for whom employment must be

found. They have been our companions through the Valley of the Shadow, and their claim on our consideration will be great. Meanwhile your opportunity is here. For you the tide is at the flood.

THE CHAIRMAN: Gentlemen, our next speaker is a delegate from the Chamber of Commerce of Bahia, that city in Brazil whose business men are among the most alert and progressive of the great Brazilian Republic. I have the pleasure of introducing to you Mr. Antonio Carlos de Soveral of Bahia. (Applause.)

Address of Mr. Antonio Carlos de Soveral

Delegate of the Chamber of Commerce of Bahia, Brazil

Mr. Chairman and Gentlemen: Before addressing you about my country, and before entering into the reasons for attending this convention and my ideas regarding same, I wish to ask your indulgence for a foreigner whose knowledge of your language is extremely circumscribed, and who, therefore, can only express himself therein with difficulty. However, I shall be happy if I succeed in making myself understood.

Representing as I do the oldest chamber of commerce in Brazil, I feel the greatest interest in the results which I am certain will accrue from the assembling of this Congress, especially with regard to the development of the commercial relations between our two countries, and particularly those of the manufacturers of this country with our importers.

As a native Brazilian—merchant and manufacturer there during many years—I am fully conversant with the extraordinary riches and inexhaustible resources of my country—north, south, east and west. I, therefore, cherish the deepest hope of an enduring and advantageous industrial and commercial alliance between our countries that will divert the business which heretofore so greatly contributed to the development and riches of European manufacturers, to those of the United States of America.

Brazil and the other South American republics have almost entirely supplied their requirements in Germany, Austria, France, England and Italy, and to the lasting credit of my country's commerce, in which I take the utmost pride, I can affirm that its reputation for honesty and integrity is considered second to none

in the world. When the great, indescribable, horrible European conflagration burst upon the world last year, and when in nearly all countries, merchants, bankers, et als., took advantage of the moratorium promulgated by the various governments, to delay meeting their obligations, in Brazil, only rarely and in isolated cases, were renewals or extensions asked for, in spite of the financial disorganization occasioned by the abrupt suspension of credit and the working of credit machinery.

Stability of Brazilian Credit

The honesty of our commerce and people is traditional wherever we are known, and our history does not disclose, as yet, a formidable crash that has affected our credit abroad. Our industries are still in their infancy, and, in many instances, incomplete. We are now necessarily dependent on those of other countries, and the constant, insistent propaganda of the European manufacturers demonstrates the measure of credit we inspire. In our country American credits and capital will always find a welcome and a fertile field for fruitful application, for, besides our commercial probity, to which I have already alluded, almost everything is virgin and awaits development. Untold and incalculable latent riches await only initiative, energy and capital to transform them into tangible, dynamic realities.

In our extreme south we have the State of Rio Grande do Sul, whose climate is similar to that of your State of Maryland, and where we have ideal soil for growing grain; nevertheless, there is but one small flour mill. We also have there herds of cattle aggregating five million head, which show a 20 per cent. annual increase, but we have only a few plants turning out jerked beef, and not a single cold storage establishment. Besides immense coffee plantations in the States of Sao Paulo, Minas and Rio de Janeiro, in the States of Santa Catharina and Parana, there are vast pine forests and unexplored mines of all descriptions. In the State of Bahia, where I reside, we have the most varied assortment of woods, in colossal quantities, and neither there nor in all Brazil is there a firm that directs its efforts to use wood or lumber for the construction of houses. This, I believe, is an industry of great promise, for as yet we have no frame buildings, the construction being limited to brick, which is expensive and the process protracted.

Sugar cane planting is conducted on a moderate scale, and is most remunerative. We have eighteen refineries, which,

though very profitable, produce but fifty thousand tons of sugar annually. In the State of Pernambuco there are some forty-five, the annual output of which amounts to approximately a hundred and fifty thousand tons. With a thorough reorganization, on up-to-date lines and with fresh capital the output of these factories could be doubled and the profits trebled. There is also in our State intensive cultivation of leaf tobacco, of which half a million bales are annually exported. Of cocoa the annual crop has now reached five hundred and fifty thousand bags, and bananas abound. We have unexplored copper mines, and our State is the only place in the world where the black diamond is found.

A Field for Profitable Investment

In all and each of our States American initiative, experience and capital may find a fertile field to explore profitably. I would also say a few words about our bountiful supply of water and waterfalls all through our country. In Alagoas we have the Paulo Affonso Falls, the force of which is as great as that of Niagara. These are capable of producing sufficient power to supply hydro-electric energy for the industries of our whole country. It is these riches that have excited the cupidity of some foreigners, whose current of immigration has been interrupted by the European war, and it is toward the development of these same riches that I and my compatriots invite, with all sincerity, the attention and study of our North American friends.

I have just visited twenty-five States of your immense and wonderful Union, and it is with the utmost sincerity and enthusiasm that I pay tribute to your colossal progress, ingenuity and success in your industrial, agricultural, mining and commercial enterprises. They eloquently attest the energy of your captains of industry and your tenacity, will power and progressive spirit, but I was overjoyed to find, in comparing your soil with ours, that our natural resources are infinitely superior to yours, and if you, with your proverbial determination to conquer, would but cast your eye toward the southern hemisphere, you will find a vast and lucrative field for your energy in its commercial, industrial and financial expansion.

Without presuming to criticize the methods of your directors of industries, looking to their development, I would suggest the following in a friendly spirit, as behooves a Brazilian whose proverbial amity and interest in North American development is well known. The protective tariff of the United States of

America, as bearing upon local consumption of your own products, and the multiple commissions resulting from the European war are diverting your attention from the advisability of reducing cost of production in order to equip yourselves to meet that of your European competitors after the war has been settled, and to force the trade current—if not of the whole world at least of South America—into channels leading to this country.

Before the war the American manufacturer was little concerned in producing at low cost in order to undersell his European competitor. He never felt obliged to seek foreign markets, because his own country, by the amazing growth and development in all States, readily absorbed his output at remunerative prices. But once the industries commenced developing and continued to increase and grow, the distribution of the surplus became more difficult and the vague menace of a crisis was apprehended. It was then the European war broke out and offered channels to dispose of the surplus American production, which otherwise would have become burdensome. Subsequently large orders for war supplies of all kinds taxed the maximum capacity of your factories, the effect of which is seen in the astounding activity in various phases of all your industrial and commercial organizations.

Considerations for the Future

But, after the war, or, if it should come to an abrupt termination? Then where would the field be found wherein American industry, with its increased productive capacity, will dispose of this surplus? What steps have been taken and what measures adopted by the American manufacturer profitably to compete in foreign fields with his European confrère? What is being done to find a field wherein to market sufficient of the surplus to maintain your factories at the present rate of production. European industries and their methods will not disappear with the war. Immediately this barbarous conflict terminates they will reappear with redoubled force and energy, owing to the imperative necessity for recovering lost ground and anxiety to recoup enormous losses. Thousands upon thousands will return to their former occupations and with increased intensity battle to regain their commercial supremacy. Therefore, it behooves you to grasp now this unique opportunity, possibly never to be repeated in your history; to secure a predominant position, at least in the commerce of the Latin American republics. And,

unless you now secure this field, to a great extent the propitious moment will have been irretrievably lost.

To arrive at the desired goal coördination of views and harmonious coöperation between manufacturers, bankers and merchants are absolutely essential. It is necessary, first, to reduce the cost of manufacturing, not only for domestic consumption, but also for foreign, because if the articles of prime necessity are not cheapened the laborer, mechanic and artisan will be unable to live as cheaply as his European confrère, thus increasing the cost of the American article. Second, more liberal credit facilities must be furnished, especially in countries where industrial development is in its infancy and resources limited, making them dependent upon foreign countries. Third, direct shipping communication with consuming markets must be established, creating an American marine capable of transporting merchandise at reduced rates of freight. Fourth, to establish direct relations, where possible, with the South American consumer, avoiding intermediaries who are not always advantageous. These, on general lines, are the ideas which I submit with profound deference, for your enlightened consideration. Their adoption, I venture to say, will redound to the ultimate benefit and glory not only of my beloved country but of that whose emblem of the Stars and Stripes has so often inspired my countrymen with sympathetic admiration and enthusiasm to emulate its unexampled progress.

THE CHAIRMAN: Gentlemen, Colombia is represented at this Conference among others by Mr. Francisco Escobar, delegate of the Chamber of Commerce of Bogota, whom I now have the pleasure of introducing to you. Mr. Escobar. (Applause.)

Address of Mr. Francisco Escobar

MR. ESCOBAR: Mr. Chairman and Gentlemen: It is a real pleasure to come into such distinguished company, although I notice that the company has been pretty well scattered by the time it has become my turn to address you; so I shall spare you, and instead of reading my speech, which I notice is in print, and which I suppose you will be able to read just as well as I can, and perhaps without glasses, I shall just make a few passing remarks upon the most eloquent addresses of those gentlemen who have preceded me, in line with a few of the remarks which have recently been made here, that these are the times of opportunity for the

United States, for those that have preceded me have said as much; so that the competition, I notice, is very strong.

I wanted to preach here the convenience of American capital going to Colombia and other Latin American countries and of investors and American manufacturers paying more attention to those lands which I call lands of the future, rather than to the old countries where political complications and disasters of all kinds are happening now and shall continue to happen while humanity exists.

Now, gentlemen, I would be ashamed to quote figures when it comes to Colombia. That is why I say that we are the land of tomorrow, not of that "mañana" which you speak of derisively for idle people, but the mañana of those that live in the future—the only real time in a man's existence, because the past is only valuable for what it teaches us; the present does not exist; and the future, the future is the only real time that counts in a man's life, because it embodies hope, the vitalizing spirit of the human breast. So Colombia and all the Latin American countries with Colombia are lands of the future. They are awaiting the arrival of the true missionaries of commerce, the arrival of foreign commerce and immigration to wake up to the modern life and the life of progress which we all desire, and which we all need.

It would be needless for me to speak of our Colombian resources and perhaps more so to say what Colombia is. The honorable gentleman from Australia said that the whole continent of Australia has only five million inhabitants; and that coincidence strikes me, because that is about the figure that Colombia has nowadays. But Colombia will be increasing at the rate of at least two per cent. per year, so that in the course of a decade Colombia may have six million inhabitants.

The trade of Colombia at the present time is very small, but her foreign commerce is mostly done with the United States, and that in spite of the fact that Colombia has great reasons of resentment against the United States for the fateful incident of Panama, which shall remain as a blot on the United States flag while time lasts and until proper amends are made.

Gentlemen, most of you are interested in the expansion of trade. So are we. We want to make those relations between the United States and Colombia still closer and increase them as much as we can.

As I say, we need your capital and we need your coöperation.

Somebody has said here that trade follows the flag; but let that flag be clean and spotless, without any blots on it. It is up to you to wipe out that blot that somebody put on your flag, through that unfortunate canal incident.

Colombian Commerce

If you analyze the figures of Colombian trade you will find them very small, but they are very significant when you read them correctly and find out that Colombia sends to the United States more than 55 per cent. of her exports and takes from the United States from 28 to 30 per cent. of her imports. That is, she buys more from the United States than from any other country taken separately. Of course, from Europe she buys most of it, but from the United States as a nation she buys more than from anybody else. So that you have there the line of least resistance, and the balance of commerce is in favor of Colombia. That proportion may be of three to one. The liquidation at present is done through bills of exchange that go to Europe to pay for merchandise. You could liquidate directly your manufactures in the United States—the product of your manufactures in exchange for our raw products. That is what I call the line of least resistance.

Some eloquent speakers representing Europe have quoted so many millions that it made my head swim, but you are perhaps living in the present and thinking that those millions of dollars that represent your exports and your trade with Europe at the present time and with other countries is going to last; but I am afraid not. The currents of commerce will tend to take their old courses as soon as this terrible crisis of the European war is ended; and it is to your interest to look up the new lines, the new continent, and to look to new people—I say new to you, because really you know very little about us. Therefore, I say again that the future is the only period of time that counts in a man's life and in a nation's life, and therefore I hope that the American manufacturer, the American investor, the captains of industry of the United States will be instrumental in the development of Colombia and in thus reaping the benefit to themselves which is so devoutly to be wished, and which I think is the main object of this gathering.

I thank you. (Applause.)

(The following paper was also presented to the Conference by Mr. Escobar):

Colombia

By FRANCISCO ESCOBAR,

Delegate of the Chamber of Commerce of Bogota

As I understand it, the main object of this gathering is to exchange views regarding international trade, but particularly to discuss ways and means of trade expansion and commercial intercourse with Latin America. Much has been said and written on the latter topics since the European war broke out; for then, as never before, the gates of opportunity were thrown wide open to the United States.

A wave of enthusiasm swept over this country; enthusiasm which was, unfortunately, short-lived. Either because this country was not in a position to finance Latin America during those critical times, or because you were not otherwise prepared for the task, the fact remains that the opportunity has been slipping past; and you know that Opportunity knocks but once at every door and then goes its way to return no more.

Outside of some sporadic attempts by the government and people of this country to win trade in Latin America, little has been done in a systematic way that may be considered of permanent value.

In the hurry-scurry way in which we live nowadays many people have come to consider the present as the real time in which to do and for which to endeavor. Such people only exist and to them my remarks will not appeal. I want to address myself to those who may believe with me that the present does not exist, and that the only periods that count for anything in a man's life are the past and the future: the past for the valuable lessons that it teaches; the future for the wise application of those lessons and because it embodies hope, the vitalizing spirit in the human breast.

Most of the Latin-American countries are lands of the future, and Colombia is more so than any other.

Her present population is a little above 5,000,000. Figuring on an average increase of 2 per cent. a year, she will have added to her population in the next ten years 1,000,000, making the total 6,000,000. Her commercial ratio of foreign trade is at the present time only \$12 per capita, so that in a decade the value of her foreign trade should amount to \$72,000,000, on the supposition that her commercial ratio, which is to-day one of the lowest in South America, will only remain stationary.

As the percentage of imports is now 45 per cent. of the total foreign trade, then at the end of the ten years her imports should amount to the sum of \$35,100,000, and \$10,000,000 thereof would correspond to the United States, on the present percentage of 28 per cent. which is the ratio that her imports from this country bear to the total.

The following figures may be found useful:

Total export trade in 1913.....	\$34,315,000
Total import trade in 1913.....	28,535,800
Value of exports to the United States.....	18,861,800
Value of imports from the United States....	7,629,000

The corresponding figures for 1914 diminished somewhat due to the general crisis produced by the World War.

These figures are illuminating because they show that in the measure of her capacity, Colombia is one of your important customers, notwithstanding the fact that Colombia has grave reasons for resentment on account of the unfortunate incident of the canal zone, which will remain as a blot on the escutcheon of the United States until proper amends are made.

It is worth noting that the balance of trade between the two countries is largely in favor of Colombia, a balance which might as well be liquidated in manufactured goods and products returned to her, instead of through bills of exchange sent to Europe in payment of merchandise.

The above-quoted figures may seem small—too small—to some people; but you must bear in mind that Colombia needs developing, and I can assure you that those who may contribute to her future development will reap the benefit.

But, what is Colombia? you may ask.

I shall tell you in a few words:

A Rich Field Awaiting Development

A country of over five million souls scattered over the immense area of 368,000 square miles. In that vast region where all the products of agriculture could be raised and which contains fertile plains, smiling valleys and forests unexplored, enough could be produced to sustain a population of one hundred millions.

A country where 645 miles of rails in disjointed links proclaim the crying need of railways. There the Government offers subsidies and guarantee of capital and interest to the foreign investor; and wise laws and firmly established peace give security to the capitalist.

A country whose main line of communication—the Magdalena River—is plugged up at the mouth, as it were, by shifting sand bars; and that despite the fact that it would cost only some \$2,000,000 to clear those bars in order to allow sea-going steamers to enter the river and land their cargoes at Barranquilla, thus saving enormous sums of money in the cost of handling, to say nothing of the saving in time and in damages for breakage caused by the breaking of bulk necessary at the present time.

A country with thousands of miles of coast line on two oceans, having only one real harbor—Cartagena—the other ports, either on the Pacific or the Atlantic side, being open roadsteads or totally unimproved and in need of sanitation. And the port improvement is another crying need of the country in which foreign capital would find profitable investment.

A country whose total banking capital is less than \$1 per capita and the circulating medium only \$5 per inhabitant.

A country whose foreign debt it only \$3.60 per capita, when it could easily support ten times as much.

A country where immigration is practically unknown.

Now, gentlemen, if such a country does not offer great opportunities to the investor from abroad, no country on the face of the earth does.

If such a country is not an alluring field for capital, energy and enterprise, no other country is.

If such a country is not worth seeking and cultivating commercially, there is no country worth seeking and cultivating.

I hope that these few remarks may have given you a clear conception of what Colombia is and does under the shackles of adverse circumstances, and also of what she will be able to do in the near future when the magic wand of foreign capital awakens her to the realization of modern life and progress.

And finally, I hope that the financiers and captains of industry of the United States may realize the potentiality of Colombia and thus be instrumental in the awakening so devoutly to be wished.

THE CHAIRMAN: Gentlemen, this closes our forenoon session, and we will now take a recess until two o'clock.

(Whereupon, at 12:40 P.M., a recess was taken until 2:00 o'clock P.M.)

SECOND SESSION

Monday Afternoon, December 6, 1915

The Conference was called to order at 2 o'clock, p.m., Colonel George Pope in the chair.

THE CHAIRMAN: The first speaker on the program this afternoon is Mr. Trygve Wettre, delegate of the Chamber of Commerce of Christiania. I have the pleasure, gentlemen, of introducing to you Mr. Wettre.

Address of Mr. Trygve Wettre

Delegate of the Chamber of Commerce of Christiania

Mr. President, Members of the Conference and Honorable Guests: On behalf of the Chamber of Commerce of Christiania, Norway, which I have the honor to represent at this conference, I beg to express their thanks for the invitation you sent asking their attendance at your meetings and I can assure you that the Chamber of Commerce of Christiania, as well as business people in general in Norway, take a very large interest in all steps taken or to be taken that serve the development of trade with our country.

The Christiania Chamber of Commerce is therefore highly pleased that it was possible to arrange for a special representation through me as one of their members at this Conference, the results of which are watched with great interest on our side. We consider the opening of new ways and means for facilitating international transactions to be of the very highest importance, especially during the present serious time, and the Chamber of Commerce of Christiania is anxious to assist by all means any efforts serving this purpose. It may interest you to learn that I am asked to give a full report of this conference and its results at a special meeting to be held in Christiania as soon as I will be back, some time early next year.

I, therefore, beg to thank you for having given me an opportunity to express to this distinguished audience consisting of the most prominent banking men, business men, manufacturers, etc., of the United States, as well as the other representatives present, how closely we follow your work and how interested we are in supporting the same to the benefit of facilitating the business transactions between the United States and Norway.

Norway has always been a country that takes great interest in the problems pertaining to progress of all kinds—social, mercantile, etc.—and I daresay that we are indebted to the United States for a great many improvements of various kinds.

Norwegians in the United States

We feel in Norway in many ways closely connected with your country, Norwegians having at a very early time commenced to settle in the United States and a great many of my countrymen now live in this country, especially in the north-western part. The Norwegian immigrants in the States are in numbers not far from one-third of the whole population of Norway.

I do not think you expect me to give you on this special occasion any details or statistics as to the trade of Norway, but it may interest you to learn that the Chamber of Commerce of Christiania that I am representing here is an official institution founded by the government and the exchange at Christiania. The members of the Chamber are appointed by the various groups of associations of manufacturers, bankers, underwriters, importers, exporters, merchants, etc., each such association appointing one representative who has to be approved by the Secretary of Commerce. The number of members of the Chamber of Commerce is limited to fifty.

Character of Norway's Commerce

As to the trade of our country, I beg to say that we are largely depending on the importation of grain, flour and a great many other foodstuffs, and besides this we also import a great deal of manufactured goods, machinery for agriculture and paper manufacturing on a large scale, together with raw materials. The exports of our country consist mostly of fishery products, articles resulting from the wood industry, chemical products, etc. Owing to the enormous amount of water power available in our country, we expect a considerable development of our industry, especially of that kind which is depending upon the existence of large power cheaply available. No nation being so self-sustaining that it does not need the importation of foreign goods or materials, we in our country look out for the development also of our own trade as far as exports to the United States are concerned.

Value of Small Nations as Customers

The present situation has no doubt shown to exporters and manufacturers of this country that the smaller nations, to one of which I belong, and which have found their way to come into more direct and close communication with the United States than formerly has been the case, are customers that may be worth while and I profit by this opportunity to mention the advisability of having direct representation in Norway instead of having a sole representative or agent for the entire continent of Europe. The buyers in Norway have in many cases found it to be to their disadvantage to place their orders through a representative in a foreign country of Europe; not alone for the reason that the expense is higher, but also because they feel they are not getting the advantage of buying direct from the manufacturer. You are no doubt aware that a direct steamship connection is established between New York and Norwegian ports, and this line has proved to be a great success, not alone for the line itself, but also because we are able to get hold of American goods promptly without any unnecessary delay. Today we are able to ship from practically any point on the coast of America via our own lines direct to Norway.

Appreciation of the Norwegian Krone

It has been a surprise to many of the bankers in New York that the value of the Norwegian krone has increased considerably in the last month. This is, however, not so surprising when you realize the facts in Norway today. The shipping industry, of which we are a large factor, is today bringing in large profits to the country and shipment from this country is largely done on Norwegian ships today. The collection of this freight is made mostly in New York and our credit balance will show very favorable toward Norway. When you bear in mind that Norway has a population of only two and one-half million people and we are the third or fourth largest ship owners in the world as to tonnage, you can readily see how important this is for our country.

The opening of new and extended transactions between the United States and Norway necessitates additional banking facilities, and it has been a great pleasure for me, during my visit here, to state that the financial institutions are already looking into this and trying by all means to overcome the difficulties.

In conclusion I have the honor to express to you the com-

pliments of the Chamber of Commerce of Christiania with the best wishes for the good result of this conference.

THE CHAIRMAN: Gentlemen, I wish to announce a slight change in the program for the afternoon, and that is as to the discussions of the several papers. We will postpone the discussions until after the reading of the fourth paper, as all these papers refer to transportation, instead of having the discussion after each paper as it is read.

It hardly seems necessary for me to introduce the next speaker to any of the Americans in this audience, and perhaps not to those who come from other lands, for his reputation is not only national but international. He was selected by our Federal Government to make a report on the Panama Canal and its tolls, and his report, comprised in a large volume, has become a work of international importance. I have the pleasure of introducing to you Professor Emory R. Johnson, of the Wharton School of Finance and Commerce of the University of Pennsylvania.

Address of Professor Emory R. Johnson

PROFESSOR JOHNSON: Gentlemen of the International Trade Conference: The thought that I wish to express this afternoon is, first of all, that success in international commerce depends upon organizing the productive activities of the country in the most economical and efficient manner; second, that the country must be supplied with adequate railroad facilities that reach all settled and industrially developed parts of the country; third, that at the seaboard there must be ports able to handle the traffic in such a way as to devote to different parts of the port the work of handling particular traffic; that is, specialization in the work of the ports; and, fourth, that there must be an adequate marine under the American flag to handle our foreign commerce.

Those thoughts hardly need half an hour to present, and yet they are thoughts that represent problems, which, unfortunately, are far from being satisfactorily solved in this country up to the present time.

Production is the beginning of commerce. The system of inland transportation, mainly by rail and to some extent by systematically developed waterways, that enables a territorial division of the productive activity to be worked out, so that each section of the country may engage for foreign trade in those

activities for which it is adapted; that, I say, is the first requisite of real success in international trade.

It is as essential to international trade that the railway facilities be adequate, and that those who operate them be able to secure profits that will enable them to command capital, as it is to have a merchant marine.

I have said in the paper I have prepared that carriers must be in a position to secure the capital required to maintain a high standard of service in order to obtain the funds needed to make such annual additions to track mileage and terminals and to rolling stock as will insure the development of railways commensurate with the growth of the country in population, industry and commerce. This is the first transportation problem connected with foreign trade.

However efficient the railways may be, they end at the seaboard; and, at the seaboard, the exports must be transferred to ships, and the imports must be taken from ships and put aboard the railroads. There must be well developed terminals and terminal facilities at the seaboard.

In various trips that I have made to Europe I have been impressed with the fact that abroad, in Liverpool, in Rotterdam, in Antwerp, in Hamburg and other cities that occur to all of us, there has been a more systematic development of the several facilities that center at a seaboard port than there has been in this country.

Take Hamburg, for instance: traffic which comes to Hamburg down the river, by water, has its special part of the port set aside for its use. The middle-sized ocean steamers that come up the river have their large docks, and the docks are specialized with reference to different kinds of traffic; while the largest traffic steamers of all are handled at Cuxhaven, some distance from Hamburg, but really at a place which is a part of the great port of Hamburg.

(The full text of Professor Johnson's paper follows):

Transportation and Foreign Trade

By EMORY R. JOHNSON, PH.D., SC.D.

Professor of Transportation and Commerce, University of Pennsylvania.

International trade, as regards most commodities, is highly competitive. The successful development of foreign commerce is dependent upon economy and efficiency of domestic production, and upon the working out of a territorial division of labor

that will enable each section of the country to engage in those productive activities for which it is best equipped as to climate, resources and labor supply. Success in production, which is the necessary antecedent of foreign trade, is the result of the best use of the various resources of a country, of the application of labor and capital where they will produce the largest results, of the distribution and organization of industry that will yield the largest annual output at the minimum cost.

Physical Essentials for Successful Export Trade

A country of continental proportion can engage largely and profitably in foreign trade only if equipped with adequate and economical means of transportation both by land and by sea. The country well supplied with railroads and inland waterways that are coördinated and efficiently managed, and that serve all sections capable of settlement and development, is able to engage successfully in production for export and to make profitable use of large quantities of imports both of raw materials and of more or less completely fabricated manufactures. The entire country, with all its resources and energies, may engage in industrial competition with other countries and sections of the world.

From the standpoint of foreign trade as well as from the viewpoint of domestic industry, it is essential that railway facilities be adequate. Carriers must be in a position to secure the capital required to maintain a high standard of service in order to obtain the funds needed to make such annual additions to track mileage, to terminals, and to rolling stock as will insure a development of railways commensurate with the growth of the country in population, industry, and commerce. This is the first transportation problem connected with foreign trade.

Coördination of Railroads and Ocean Carriers

Rail transportation ends at the seaboard, but foreign trade in exports must be served by facilities and agencies that provide through transportation from interior points of production to markets in foreign countries beyond the sea, while the import trade requires through shipment from foreign centers of production to inland destinations within the United States. To accomplish this there must be close physical and commercial coördination, though not necessarily financial combination, of railroads and ocean carriers at the terminals. The railroads in the

development of their seaboard terminals at present are seeking to bring this about. In the past, however, the tendency of the railroads has been, with notable exceptions, to develop their terminals at the large seaboard cities mainly with reference to serving domestic industries and to meeting the needs of domestic trade without coöperating with the ocean carrier in the development of port facilities. Even at some of the large ports, the railroads have, in the past, regarded foreign trade as of minor consequence in comparison with domestic traffic. With the rapid growth of foreign commerce during recent years it has become evident that the railroads, without in any way neglecting the extension of facilities for the traffic of domestic industries, need to make systematic provision for the economic handling of export and import business.

Responsibility of Government and State Officials and Commercial Bodies

State and municipal authorities as well as the rail and water carriers have a duty to perform. In the administration, improvement and organization of port facilities, the States and the cities should seek to bring about the construction of piers, wharves, and storage facilities specialized with reference to the needs of different kinds of traffic, and to secure the physical coördination, at each port, of these facilities with the railroads in such a way as to unify all transportation facilities and to make each port efficient and economical in the handling of foreign trade.

Chambers of commerce and other business organizations can be of great assistance in the development of foreign trade by coöperating with the railroads and port authorities in bringing about the systematic and coördinated development of terminal facilities. It is necessary that business organizations work together, subordinating petty jealousies in their labors for the common good of the public as a whole. Hamburg, Rotterdam, Antwerp, and other foreign ports that might be mentioned have made rapid progress in foreign trade, partly because public and private authorities have efficiently coöperated in the development and coördination of port facilities. The United States has much to learn from the practical experiences of foreign competitors. In this country the relation of the public authority to the railroads often ends where it should very properly begin, with efforts to control. Regulation is desirable, but it is

only a first step towards a combination of the efforts of the government and the carriers to serve the public. To bring about this combination of effort on the part of the public authorities and the carriers is one of the greatest services that chambers of commerce can render.

Bearing the Cost of Seaboard Terminals

The development, unification, and effective organization of the seaboard terminals will require large expenditures of capital by the railroads, steamship lines, and public authorities. The costs are too great to be borne entirely or mainly by the city and State governments. Private capital must be invested in large measure, and, of course, that will not be done unless the owners of capital have reasonable assurance that their investments, in the long run, will be profitable. The policy of public authorities towards the railroads and other carriers may wisely be as liberal as the policy towards manufacturing and other industries. In regulating the railroads the public should remember that the purpose is not only to suppress and prevent evil-doing but also to bring about, by means of private capital if possible, the development of railway and port terminal facilities whereby the public will be adequately and economically served.

The Seaboard Terminal an Absolute Essential

The seaboard terminal is as essential a part of the transportation facilities required by foreign trade as are efficient railroads and an adequate tonnage of ocean shipping. This fact is more fully realized in some foreign countries than it is in the United States, and one of the transportation problems connected with the development of foreign trade is that of giving to the seaboard terminal as great a degree of technical efficiency as has been given to the railroads and to ocean shipping.

The importance of seeking systematically to distribute the export and import trade of the United States among the numerous ports through which foreign trade may be handled is emphasized by the serious congestion of traffic that has prevailed during the past two months at the largest seaport. The natural tendency of trade is to center at a few points. Each manufacturer or merchant engaging in foreign trade desires to be located where his principal competitors carry on business, and consequently the largest commercial city tends to grow at the expense of all other centers of foreign trade. The concentration of trade at one or a few centers instead of its distribu-

tion generally among numerous ports, greatly increases the difficulty of providing adequate transportation facilities for handling foreign trade, especially during periods of business expansion. This concentration of commercial activity, moreover, probably limits the possible development of the industries and commerce of the country as a whole. Industrial progress and foreign as well as domestic trade development will be larger and more profitable if the import and export trade is distributed among the several seaboard gateways.

Many Sectional Shipping Ports Desirable

For these reasons, it should be the definite policy of the railroads, the shippers, and the governmental authorities that regulate the carriers, to work to bring about the general distribution of foreign trade among the several ports of the United States. A policy that will result in a more general distribution of commerce among the seaboard cities of the United States will help in the solution of the transportation problem connected with foreign trade, and will work to the advantage of both the carriers and the public.

A wider distribution of the export and import trade of the United States among the various seaports is a task that can not be accomplished solely by the railroads and by government authorities. Producers and importers at interior points, as well as exporters and importers at the seaboard, determine the routes over which most of the foreign trade of the United States is carried. A better distribution of traffic can be brought about only by the coöperation of shippers and consignees with the railroads and steamship companies. A campaign of education needs to be conducted to bring home to the large shippers in various parts of the country the importance of routing their export and import traffic via the seaboard gateways through which the traffic can be handled most expeditiously and economically. In this campaign of education, commercial organizations both at the seaboard and in interior cities, must take the lead. These organizations are in a position to render a great service to the commerce of the country.

Necessity for Adequate American Tonnage

The most pressing present and future transportation problem connected with the development of the foreign trade of the United States is that of securing an adequate tonnage of ocean shipping. There are two phases to this question.

The first phase is the present need of vessels of all kinds, those in line service and those operated under charters. Vessels under neutral flags are preferred by shippers, but ships under other flags are gladly employed, so great is the present shortage of ocean tonnage. The situation that now exists is probably a temporary one which will come to an end shortly after the declaration of peace in Europe, although it is probable that the destruction of shipping during the war, and the reduced rate of construction now prevailing will create a shortage of ocean tonnage for two or three years after the end of the conflict.

The other phase of the general question of ocean transportation facilities for handling American commerce is the inadequate tonnage of vessels registered under the American flag. Since 1900 the foreign trade of the United States has increased with great rapidity, and, during the past year, has reached unprecedented proportions; but until the outbreak of the European war and the enactment of the emergency Ship Registry Act of August 18, 1914, the tonnage of vessels registered under the American flag for service in the foreign trade made substantially no progress and amounted to barely a million tons. Moreover, most of this small tonnage was employed in the nearby foreign trade and not in the commerce of the United States with countries beyond the Atlantic and Pacific.

Dependence of Our Overseas Trade Upon Foreign Ships

The European war has brought home to the people of the United States more clearly than they ever realized before the complete dependence of the foreign trade of the United States upon the services of ships under foreign flags; and, during the past year, there has been constant discussion in the press and on the rostrum of possible ways and means for building up the American merchant marine. It must be confessed, however, that no program of legislative action has yet been formulated that promises very large results. The question of the enlargement of the American merchant marine to adequate proportions within a reasonable period of time is still unsolved, and still calls for the most serious study on the part of legislators, business organizations and men engaged in the transportation business.

There is, I take it, no doubt as to the importance of having a larger tonnage under the national flag. It is, of course, a fact that freight rates in times of peace do not depend upon the flag of the vessel that performs a transportation service. The owner

of a ship or the manager of a line of vessels will ordinarily serve one shipper as willingly as another, but in time of war shippers in neutral countries must depend, first, upon the tonnage of the world is operated, and, in spite of the destruction of flags of other neutral foreign countries; and, third, upon such part of the shipping of belligerent countries as may be available and may be safely used. The burden which the present European war has placed upon the commerce of neutral countries is a heavy one. Freight rates are many times normal figures, and the shortage of tonnage places a large handicap upon international exchanges.

Direct Effect of Control of the Seas

The effect of the present war, however, severe as it is, is slight in comparison with what the result would be were not the seas controlled by one of the belligerents, and the theater of marine warfare thereby limited to restricted areas of the ocean near the coast of Europe. The flag of the belligerent that has thus limited the theater of marine warfare happens to be the flag under which more than two-fifths of the total deep-sea tonnage of the world is operated, and, in spite of the destruction of shipping that has occurred during the past year and of the withdrawal of merchant vessels for military and naval uses, the commerce of the world is able to employ a large tonnage of vessels under the flag of belligerent nations. If the European war were being waged upon the sea as widely as it is being fought upon land, American foreign commerce would be practically paralyzed at the present time.

Economic Necessity of American Merchant Marine

No one will seriously question the economic necessity of having a large merchant marine under the national flag during such a war as is now in progress, but there are many who still doubt that there is any special need, other than a naval one, for having a large merchant marine under the national flag. It is argued that the merchant vessels of all nations compete with each other to secure the traffic of all countries, and that, ocean freight rates being controlled by this competition, it matters not to the people of the United States whether their commerce be handled in ships of American or foreign registry. The argument, however, is not convincing.

The commerce of any nation largely engaged in foreign trade requires the services both of steamship lines and of chartered

vessels. The steamship line provides a service at regular intervals, its vessels being operated under a more or less definite schedule; hence a steamship line cannot be profitably established and operated unless there is a relatively steady flow of commerce between the domestic and foreign ports forming the termini of the route over which the line vessels are run. The line solicits and transports the freight of small shippers as well as big ones and thus meets the general transportation needs of exporters and importers. The regular steamship line assists exporters who begin in a small way to build up a larger business. The steamship line, however, will use most activity to develop the traffic of the shippers of the vessel's home country and port. A steamship line under the national flag is an agency for the development of foreign trade.

Coördination of Shipping and Terminal Facilities

The establishment of a steamship line usually requires the investment of capital in vessels and terminal facilities. It is sometimes possible for a line to be established by chartering vessels and by using public terminals; but, while this is a practicable method of starting a steamship line, the successful maintenance and development of a line requires the investment of a relatively large amount of capital. If the conditions for the investment of this capital in vessels under the national flag are made onerous and unfavorable as compared with the conditions of investment under foreign flags, capitalists will establish a line under a foreign ensign, or, what is more probable, they will put their money into some entirely different enterprise, into railroading, manufacturing, or mining.

Competition of Chartered Vessels

The importance to a country's foreign commerce of having under the national flag a large tonnage of vessels operated under charters, that is, a large tonnage of "tramp" steamers, is not so definite nor so vital as is the importance of having a number of vigorous steamship lines under the country's flag; although it will hardly be doubted that the commerce of Great Britain has been much aided by the enormous tonnage of British steamers operated under charters. The ownership and operation of chartered vessels is a business that is competitive in the fullest sense, and that country will invariably have the largest tonnage of tramp vessels that has the most intelligent and liberal maritime policy. There can be no hope of securing for the service

of the foreign trade of the United States a large tonnage of chartered vessels under the American flag if the conditions of operating vessels under the flag of the United States are more onerous than the requirements of the navigation laws of other countries.

The Obligation on Congress

The importance to the United States of its present and prospective foreign trade and the clear need for a larger merchant marine make it imperative that Congress should earnestly seek to adopt a maritime policy that will bring about a larger tonnage of merchant vessels under the American flag. Thus far, differences of opinion, both without and within Congress, have prevented constructive legislation; but the urgency of the present situation would seem to give promise of the ability of Congress to agree upon comprehensive legislation this winter.

An agreement, on the part of the advocates of different policies, as to the desirability of creating a Federal shipping board or of adding to an enlarged interstate commerce commission a marine department consisting of three commissioners expert in maritime matters, would be a logical foundation upon which to build up a law for the development of a larger merchant marine. It must be apparent to Congress that the problems connected with the development of a merchant marine are technical and of an administrative character.

The problems are technical in the sense that the ocean shipping business under the American flag is governed by a complex body of navigation and shipping laws regulating the construction, registry, and tonnage measurement of vessels, boiler and hull inspection, the employment and discharge of seamen and many other details of the conduct of a complicated business carried on under conditions of world-wide competition.

Problem of Government Aid to Merchant Marine

The problem of rendering effective government aid to the merchant marine is of an administrative character, and the success of any legislation concerning shipping must depend upon the efficiency of the executive agency entrusted with the application and enforcement of the laws enacted. The present shipping laws are administered by various bureaus, most of which are connected with the Department of Commerce. It is no reflection upon these bureaus or upon the able and conscientious chiefs thereof to say that the present machinery for the executive

regulation and aid of merchant shipping needs the unification and strengthening that would result from the creation of an expert Shipping Board or Marine Department of the Interstate Commerce Commission.

A Shipping Board Proposed

The Shipping Board or the Marine Department of the Interstate Commerce Commission would be a body of experts, which, like the Interstate Commerce Commission as regards railroad regulation, would have much weight with Congress in all matters of legislation regarding shipping. The influence of such a board or marine department would be similar to that exercised by the marine department of the British Board of Trade, provided the board was made up of experts of high standing and was vested with adequate discretionary executive powers.

This board should, first of all, be directed by Congress to investigate the shipping and navigation laws of the United States and to report at an early date a revised code of maritime laws. Such a board should make a careful study of the maritime legislation and regulations of the leading commercial nations of the world and prepare a code under which American shipping may compete upon fair terms with foreign shipping.

Authority of Shipping Board or Marine Department

Congress should also make a liberal appropriation to be expended by the shipping board or marine department in aid of shipping. The board should be authorized to enter into contracts with a limited number of steamship lines from the United States to foreign countries. Congress should leave to the board the selection of lines to be aided, the amounts to be paid, and the formulation of the provisions of the contracts made by the Government with the lines aided. By giving to such a board the responsibility of selecting lines that will be of real assistance in the development of American commerce, better results can be obtained than by the passage of subsidy laws such as have previously been enacted by Congress. The development of American shipping, by subvention or otherwise, is an executive task that should be intrusted to an able body of experts vested with large discretionary powers.

Suggestion as to Personnel of Board or Department

What the personnel of the board or marine department should be need not now be discussed; possibly a board of three men

would be sufficiently large. The law creating the board probably ought to authorize the Postmaster-General to deliberate with the board when contracts involving the transportation of the mails are being considered, and it would also seem desirable to require the board to advise with the Secretary of Commerce whenever it is considering matters in which the Department of Commerce is interested. Whether the Postmaster-General or the Secretary of Commerce, or both, should be ex-officio members of the shipping board, is a debatable question, upon which I would not care to commit myself at the present time.

Limitations Upon the Board or Department

The proposed shipping board or marine department should not have the power to engage in the steamship business, either directly or indirectly. It would be a mistake for Congress to adopt the policy of the government ownership of ocean vessels, or of the operations of vessels through the agency of a corporation controlled by the Government. As I stated in a recent address to the American Manufacturers' Export Association:

"Adequate ocean transportation by ships under the American flag can be secured only by making the ownership and operation of vessels profitable. Private capital and initiative must be depended upon to bring about the development of the American merchant marine. In the long run, legislation can only aid in making the business of ocean transportation attractive to owners of private capital and to men ambitious to devote their energies to the management of steamship lines. Ocean transportation is not a business adapted to government ownership and management, and the reasons for this are almost as obvious as they are convincing.

"In the first place, it must be clear to everybody who gives this question serious thought that the executive capacity of government in this country has not yet gotten beyond the ability to *regulate* business affairs. As the need for the regulation of transportation has become apparent, the United States and many of the States, have gradually developed increasingly effective, but still by no means perfect, regulatory agencies. For some time to come the administrative machinery of government will be taxed to its limit by the work of regulating transportation and other forms of industry. Even if government ownership and operation of steamship lines were theoretically desirable, the task ought not to be undertaken under present conditions.

Government Experience in Steamship Management

"Moreover, such limited experience as the Government has had in the ownership and operation of steamship lines does not warrant undertaking the task on a larger scale. The Panama Railroad Steamship Line has been a useful facility for the construction of the Panama Canal. It was wise for the United States, after having acquired this steamship line that was secured along with the concessions and property held by the French company at Panama, to retain and use the line to transport the men and material required for the construction of the canal. Construction work is still being carried on at Panama on a large scale, and it is probable that the Government will do well to operate the line for some time to come. Experience will show whether it is necessary to retain the line as a permanent part of the operating organization of the Panama Canal. Had the Government run the Panama Steamship Line purely as a commercial enterprise in competition with other steamship lines; it is not probable that net profits could have been shown. Although the Panama Steamship Line has been well managed, it has not been profitable to the Government except as a facility for the construction of the canal.

Government Ownership of Common Carriers

"If the Government could succeed in operating ocean vessels profitably, it ought not to undertake to do so. The government ownership and operation of transportation facilities, such as railroads or steamship lines, if justifiable, is only so under conditions of complete nationalization. When a government takes over all the railroads in a country and operates them with reference to the general transportation and social needs of the country, it may, if the government has exceptional executive ability, as is true of some countries in Europe, be successful and perform a valuable service to the public. On the other hand, the competition of government railroads with private lines has been shown by experience to be unsuccessful and undesirable. When the government starts upon the acquisition of the railways, it should continue until it has taken over the entire system within the country. Regulation of transportation by forced competition has long since been known to be unsound in principle. Regulation establishes standards of services and rates to be observed by all carriers; it seeks to secure what competition has failed to accomplish.

Government Competition in Transportation Inherently Wrong

"It is believed that the same principles apply to ocean transportation. The competition of government and private lines would prove unsatisfactory both to the government and to the public. The government may choose between public ownership and public regulation, and whichever choice is made the government may enforce standards of reasonableness and equity; but the establishment of government lines to be operated in competition with private lines would be wrong in principle, and could not work well in practice.

"If the United States could regulate the ocean transportation business successfully by the establishment of government lines, would not the effect of competition of the government with private lines be to limit the investment of private capital in ocean shipping? There is no reason to doubt the sincerity of those who assert that they would hesitate to engage in business in competition with the Government. The purpose of government is the accomplishment of public ends; the object of private investment and private management is business profits. One having capital to invest with the hope of securing private gains will naturally hesitate to invest his capital in a business where he must compete with government enterprises carried on not to make dividends for stockholders but to further general public ends."

Board or Department to Popularize Shipping Business

Instead of making the proposed shipping board, or marine department, an agency by means of which the Government shall engage in the steamship business, it should be the function of the board to establish conditions that will make the shipping business more attractive to private capital. The duty of the board should be to guide Congress in legislation regarding shipping, to be the agency through which appropriations in aid of shipping are expended, and to be an instrumentality for the general supervision of the shipping business. The board should have full power of investigation. It would pass upon the formation and proceedings of conferences or associations of steamship companies and advise Congress as to the measure of regulation needed to insure the healthy development of the shipping business and to safeguard the rights of different classes of shippers. It would not be well, at least at the outset, to give the board power to regulate the shipping business in the sense that the Interstate Commerce Commission has power to regulate the rail-

roads. The Interstate Commerce Commission, for many years, was a body whose powers were mainly those of investigation and supervision. Its mandatory functions were limited. It is not probable that the shipping business will ever require that degree of regulation that has been found necessary in the regulation of railroads, although experience in the supervision of ocean transportation may later indicate the wisdom of applying to the ocean transportation business many of the principles of regulation that have been followed in the regulation of railroads. However that may be, the general functions of a shipping board should, at the beginning, be primarily to aid and supervise rather than to regulate.

Shipping Facilities But One Essential

In considering the transportation problems connected with the development of foreign trade, the fact should not be forgotten that the successful growth of the foreign commerce of the United States does not depend solely upon securing more and cheaper transportation facilities. Transportation is an essential facility of foreign trade, but it is only one of several essentials. Commerce is the result of successful merchandising methods, and unless American producers, exporters and importers are good merchants they will be worsted in the foreign trade by the competition of skillful merchants of other countries. This is a fact that has been much emphasized in recent discussions, and it is clear to everybody that the American trader must meet the requirements of foreign markets in order to secure a large trade abroad. Until recently, the domestic market has been so large and has so overshadowed the foreign market that only a few of the largest producers and traders have cared to adapt their methods to the demands of foreign buyers. Indeed, most producers do not find it profitable to develop foreign trade. These conditions have largely passed, and it is probable that American producers and merchants will in the future be able to meet the merchandising requirements of foreign trade.

Need of American International Banking Institutions

International banking institutions are almost as important as efficient transportation in the development of foreign trade. The provisions of the Federal Reserve Act have made possible the establishment, in foreign countries, of branches of American banks, and the conditions created by the great war in Europe

have given American banking institutions an exceptional opportunity to enter foreign fields. While only a beginning has yet been made in the establishment of the international banking facilities required for the successful development of a large foreign trade in American products, what has thus far been done is encouraging. It is believed that the growth of the foreign commerce of the United States will not be seriously hampered by the lack of banking arrangements.

Transportation in All Its Functions the Prime Necessity

With the adoption of the necessary merchandising methods, and with the establishment of adequate international banking arrangements, the growth of the foreign trade of the United States can be largely promoted by the creation of adequate facilities for the expeditious and economical transportation of the exports and imports of the United States. The transportation and other problems connected with the development of the foreign trade of the United States are numerous and difficult, but they are not impossible of solution if the American people and Congress will give to the problems the serious attention which their importance merits.

Let me emphasize once more, in closing, the thought which has been uppermost in my mind as I have been speaking, that it is not important that the individual views of any one particular man should prevail, but that we should approach the solution of this question with the earnest desire to reach a common basis that will enable us to get somewhere this winter. (Great applause.)

THE CHAIRMAN: The subject of the next paper which you will hear seems to be a most appropriate one under the present conditions. To all of you the name of the Pennsylvania Railroad Company is a most famous one. You know very well the efforts and care that have been taken by the management of that road to prepare for all emergencies, with the result that safety is the one thought of all and the one comfortable thought in patronizing that road. I have the honor to introduce to you Mr. George D. Dixon, Vice-President of the Pennsylvania Railroad Company.

MR. DIXON: Mr. Chairman and Gentlemen: Before I start to read my article I would like to say just one word to you.

While I was moving around in the hall I overheard some

gentlemen say that Mr. Dixon's paper does not deal with the export situation at all. Now, I have tried, certainly, to prepare this paper with the export situation in view, but I have dealt with it from the viewpoint of our internal transportation arrangements; and without internal transportation arrangements that will meet all conditions, we will never be able to handle the export business of this country, which we hope is coming to us within the course of the next few years.

The export freight situation which has suddenly developed at the port of New York is far from satisfactory to the railroads, to shippers and the country generally. The export traffic in the past year has grown by leaps and bounds until every transportation company, both rail and water, has found itself unequal to the task of handling it satisfactorily. What will be the situation six months from now if this traffic continues to grow as it has in the past few months—and certainly it is reasonable for us to suppose that it will continue to grow possibly even more rapidly? The American nation must stand ready to help supply the markets of the world, but if we are to do this we must be prepared. Preparedness of one kind and another is uppermost in all of our minds to-day, and for that reason I think this is a propitious occasion upon which to say a few words on that subject as it affects the transportation companies of this country.

Preparedness and Our Railroads

By **GEORGE DALLAS DIXON,**

Vice-President in Charge of Traffic, of the Pennsylvania Railroad Company

If the word should be flashed over this country that war had been declared and that the United States was about to enter into a conflict with another great world power, our condition of preparedness—what had been done and what had been left undone—would at once become the most immediately vital question before the American people.

War has not been declared. It is not imminent nor, so far as we can see, even probable, and we hope that it never will be. But we have been compelled—even though unwillingly—to consider possibilities, and already national preparedness is being given much thought.

It has often occurred to me that in all the discussions of this subject, one of its most important phases, possibly its most im-

portant, has been overlooked by the majority of people. I refer to transportation. Taking everything into consideration, it is really a great question whether it is not every bit as important that our railroads should be prepared for national defense as it is that our Navy and our Army should be prepared.

Military Plans Must Be for Defense

As we are virtually pledged against another war of aggression, our military plans must necessarily be plans of defense, with a greater navy, primarily, and a greater army, secondarily, as the most obvious needs. There is danger, however, that the very obviousness of these necessities in any plan of preparedness may blind the eyes of Americans to another necessity which is less obvious but by no means any less vital, and that is adequate preparation for the mobilization and coördination of the internal resources of the country.

This means good railroads. Not merely as good as we have now, but better.

Suppose that a hostile army was about to invade our land. Can we exaggerate the importance that would then attach to an internal transportation system at the highest state of efficiency, with every facility ready to render the maximum of service, whether in the rapid assembling and transportation of troops, the movement of munitions, or the carrying of the materials required for the erection of the new plants that would probably be necessary to meet the enormous demands for military supplies?

Just for the sake of argument, imagine that the United States was attacked by some foreign power—England, or Germany, or France, or Italy, or Russia, or Japan, or any other great nation. Consider the diversity of the problems that would have to be met in any one of such contingencies, and then ask the question: What part would the American railroads play in the scheme of national defense and what would be expected of them?

The Value of Railroads in Preparedness

There are, to be sure, abundant commercial reasons why it would well repay the American people to conserve and encourage their railroad systems and make their more rapid expansion and upbuilding possible. Well-constructed, well-equipped, properly manned, skillfully managed and solvent railroads are necessary to a healthy state of business. But as a military resource, a vital

element in preparedness, they would be valuable beyond the possibility of expression in terms of money.

During the period from which we are just emerging, when business was, to say the least, quiet, our railroads were unable, for financial reasons, to improve their properties in anticipation of a return to what I might call a prosperous era. Their earnings were not sufficient to warrant investors in supplying the capital needed to provide facilities for a greatly enlarged traffic, nor were they enough to enable the roads to put by a surplus for better cars, heavier bridges, more modern signals and all of those things which go to make up a good railroad, but which, except to a very small extent, do not increase a railroad's earning power.

Private capital is ready today to invest in our American railroads and needs only the assurance that the people and the government wish to see it allowed a fair and reasonable return.

Just consider how helpful it would be now to the country's welfare if our railroads had the facilities needed at this very moment to handle our export commerce—I might almost say, under existing circumstances, the world's commerce.

Railroads Should be Prepared for Any Emergency

Certainly the present situation in which the railroads of this country find themselves should be adequate proof to the people that our railroads should be prepared for any possible emergency, whether it be to handle an extraordinary quantity of traffic such as is now being offered for transportation, or for any extraordinary service the government might call on them to perform.

The very existence of the Nation, in the unhappy event of a war, might well hinge upon the ability of our interior transportation systems to bear the tremendous burden that would be put upon them, without collapsing. To be certain of so doing, they need great strength, much more than, as a whole, they have to-day.

The war in Europe has taught no surer lesson than this, that great forces of men, however courageous or admirably trained, are of little military value without the means of moving them with promptness and order and of keeping their many needs continuously supplied. This means transportation facilities that can be counted on to work with the smoothness and cer-

tainty of a machine. Without such facilities, all other preparations are useless, and the effort put into them wasted.

The railroads have played an important part in all the great wars of the last three-quarters of a century, that is, in every principal struggle of nations and rulers since the wars of Napoleon. But never before have they assumed the importance that they hold in the present war. Practically every great campaign in Europe during the last fourteen months has centered, at some crucial stage, about the possession of a railway line or junction point, control of which meant rail communication, or the loss of it, for one side or the other. The whole land campaign in the Balkan States, and the intricacies and ramifications and intrigues of diplomacy that have accompanied it, resolve themselves into a struggle, on the one hand, to establish a line of railroad communication between Central Europe and Turkey, and, on the other hand, to prevent the establishment of such a line.

The Strength of the Germans

The ability of the Germanic allies, thus far, to exist within the "Iron Ring" and not only to prevent it from contracting with a crushing pressure, but to push it back here and there and even to break through it in places, is of course due to many factors, but certainly to none more than to that perfection of plans and facilities for railroad transportation in every direction, at any time, which was one of the principal elements in Teutonic preparedness. By her railroads Germany has kept her armies and material resources liquid, and they have flowed from one frontier to another with the swiftness and smoothness of water.

The German railroads were built and developed, under a militaristic system, with a first eye for military use. Our railroads were built by private capital to serve the needs of the commerce of a non-militant people, and are in themselves commercial enterprises. This, however, in no way detracts from their value for military purposes, since economic law has seen to it that they connect the centers from which men and supplies must be drawn in case of war.

A Wise Investment

The American people can make no wiser investment in military preparedness, and can buy no stronger assurance for the preservation of the Nation's integrity, than by allowing their privately owned *railroads sufficient income at all times*:

1. To bring all track and roadway up to standard conditions and maintain it thus.

2. To construct the double, triple and quadruple tracking and to make the terminal extensions and improvements that are required now, by the needs of peace, and which would be of immeasurably greater value if the railroads were ever called upon to assist in military operations.

3. To acquire sufficient supplies of locomotives and cars of modern types, and to reconstruct or replace all obsolete equipment.

4. To hold in the service a sufficient number of well-trained, well-paid and satisfied men, both officers and employees, to assure prompt and efficient operation in any emergency.

Some railroad systems are substantially in this condition at the present time, but many, less fortunately situated, are not. If all were enabled to become so, within a reasonable time, the Nation would be possessed of a military resource of inestimable value.

What Could the Pennsylvania Railroad Offer Our Nation?

To gain a more vivid idea of what our railroads could be—and ought to be—as factors in preparedness and as elements in an adequate plan of national defense, let us turn our thoughts to some concrete facts. Let us, for example, take the Pennsylvania Railroad System, with its associated lines, and consider what part it could play and what it could offer the nation in time of need.

In the first place it could offer a trained and disciplined army of more than 200,000 men for the performance of those indispensable transportation services without which the army and navy forces would be helpless.

It would probably not be within the province of any railroad management to decide where its men could perform the greatest service—on the battlefield, or in engine, train and shop—or to interfere with personal freedom as to enlistment, but the government would no doubt decide that every consideration of wisdom lay in maintaining the organization of this and other railroad systems substantially intact.

The English railroads sent a considerable number of men to the trenches early in the war, but in the first few weeks of the struggle England learned the value—indeed, the absolute necessity—of unhampered transportation, even though the actual battlefields are not on British soil. Both England and France have learned the lesson of the extreme unwisdom of sending

to the front those men who have the special mechanical and other training and experience needed to keep up with the enormous demands made upon the national resources for production and transportation.

Secondly, the Pennsylvania Railroad could offer the nation a physical transportation system which handles the most extensive commercial railway traffic in the world—a system embracing more than 11,000 miles of line and over 26,000 miles of track, with terminals in the three largest cities of the country and in eight out of the ten largest centers of population.

This system operates only about one-twenty-fifth of the total mileage of the country, but it carries almost one-eighth of the freight traffic and more than one-eighth of the passenger traffic.

This railroad's rolling equipment consists of the following:

Seven thousand five hundred locomotives with a combined tractive power of 250,000,000 pounds.

Seven thousand passenger cars, with a carrying capacity of 330,000 people.

Two hundred and seventy-five thousand freight cars, with a carrying capacity of 13,000,000 tons.

The Pennsylvania's Motive Power

The locomotives owned by the Pennsylvania Railroad System have power sufficient to haul, simultaneously, over any ordinary grades, soldier trains of 100,000 cars in all. These trains could move an army of from 5,000,000 to 6,000,000 men and would fill a stretch of track as long as the System's main line from New York to Washington and from Philadelphia to Chicago. No simultaneous movement of men on such a scale would be actually possible, but the figures give some idea of the extent of the transportation facilities possessed by the Pennsylvania Railroad System, and which would be available for the service of the nation.

In addition to carrying facilities, this System has vast shop resources and a great body of skilled mechanics. The railroad shops at Altoona, Pa., alone—the largest of their kind in existence—employ 12,000 hands, a large proportion of whom are highly trained machinists. Counting all the shops on the Pennsylvania System, the total of men who might be called upon for specialized service is 64,600.

The Pennsylvania Railroad has in its service many other men highly trained in the professions and trades, or in special

duties which from the standpoint of preparedness might make them invaluable to the nation.

There are in the service of the Pennsylvania System over 700 civil engineers, all of whom have had experience—many of them years of it—in railroad construction and maintenance. Think of the value of these men to the country in directing the work of planning and building the special railroads and bridges that would be required for military purposes.

On the pay rolls of the System are 200 mechanical and chemical engineers, who direct the motive power work at the various shops and roundhouses, including the repair and construction of locomotives and cars, and supervision of the testing of materials. These men could as readily turn their ability and technical knowledge to military purposes.

The Territory Served by the Pennsylvania

It is worth while, also, to consider the extent and resources of the territory which the Pennsylvania Railroad System traverses.

It serves fifteen States and the District of Columbia, having a combined population of more than 40,000,000, or nearly half of all the people in the United States. In this great population there are probably 8,000,000 able-bodied men of military age, with the transportation facilities at hand for quickly mobilizing them.

In the territory served by this System is located much more than half of the fixed and liquid wealth of the country. It embraces the metropolis of the nation and its capital, as well as the principal centers of finance, of foreign trade, of iron and steel production, of ship-building, of the manufacture of armor, heavy ordnance and powder, of meat packing, of the grain traffic and of various other important industries and commercial pursuits.

The region includes, also, the most valuable mineral areas in America. It produces practically the entire world's supply of anthracite coal and about half of the bituminous coal output in America, besides great quantities of oil and other minerals essential to military purposes. It contains great chemical works, and plants for the manufacture of textiles and clothing. It includes agricultural regions of unexcelled fertility which yield every American crop except the sub-tropical fruits and which are alone much more than capable of producing sustenance for the entire nation.

It so happens that, because of geographical location, and by

reason of the fact that it links together these principal centers of population and of industrial, mineral and agricultural wealth and production, the Pennsylvania Railroad System as an aid in defense, as in peaceful commerce, would inevitably hold a place among the transportation systems second to none.

A National Asset

Considered from the standpoint of preparedness alone, the resources of the territory served by the Pennsylvania Railroad lines place the System in the position of a national asset and make the conservation of its property, equipment and organization at the highest pitch of efficiency a consideration of primary importance to national safety.

But the Pennsylvania is only one of the nation's great railroads. For military purposes all of our railroads would have to be regarded from the viewpoint of their possibilities as one system, and the nation can ill afford to allow any part of this country-wide system of 250,000 miles of steel highways to deteriorate or to continue anywhere impoverished or inefficient, for what I have said of the importance to the nation of the Pennsylvania Railroad System applies, in a varying degree, to all railroads.

What Would the Railroads Mean in Time of War?

If the railroads have meant so much to France, England and Germany at war, with their comparatively small areas and relatively short distances, what would they mean to this country, under a like circumstance, with great cities 3,000 miles apart, with a population of almost 100,000,000 scattered over 2,974,000 square miles of territory and confronted with the immediate necessity of greatly increasing the industrial output and transporting the products to the place of utilization, of developing untouched and remote resources and of organizing and mobilizing large armies?

If our railroads are ever called upon to assist in the nation's defense, what would it be worth to the American people to have allowed these railroads the necessary funds required for the needed double and quadruple tracking, extension of lines, modernizing of all equipment, and the enlargement of the terminal facilities necessary to prevent congestion?

What would happen to America if its railroad transportation system broke down when called upon by the people of the country to aid in her defense? These are pertinent questions.

Next, then, to an adequate army and navy, if not indeed of equal importance, is the condition of railroads of the United States as a factor in national preparedness. Only railroads of the highest efficiency can truly unify the country and keep its resources of men, money and materials in a liquid and mobile state. As a military precaution, if for no other reason, it would be in the highest degree wise and profitable for the American people to see to it that their railroads have sufficient financial resources to be able to serve this end properly; and that the Federal and State governments accord them treatment which will insure their healthy growth at all times.

THE CHAIRMAN: We now come to that subject which is ever recurrent at American business gatherings, namely that of the Merchant Marine. Mr. Bernard N. Baker, who will next address you, is a gentleman who has had long experience in matters pertaining to ocean shipping, and moreover has been a close student of that important subject. He has long been recognized as an authority thereon. I have much pleasure in introducing Mr. Bernard N. Baker, of Baltimore.

Address of Mr. Bernard N. Baker

MR. BAKER: Mr President and Gentlemen: I shall not keep you very long. I wish I could fully sustain the reputation which your worthy president has given me. I can only say that next probably to my own personal interests the establishment of an American merchant marine, and seeing once more the American flag on the ocean carrying our commerce, is my one object.

I have devoted a great deal of time and thought to it for many years, and have owned a controlling interest in a large line of steamers and it was a most interesting business, a wonderful business, not local in its character but very broadening. We had to name rates to every port of the world.

I remember a great many years ago when somebody came in and asked for a rate on mining machinery, I think, to Nairobi. I could not find any clerk that had ever heard of it or anybody else; but we guessed at the rate and named it; and we got the business. (Laughter.)

Today, however, the question to be treated is legislation. What legislation is needed and how are we going to get it are the points which I shall endeavor to cover, and I shall take but a very few moments of your time.

I want to say now that if anything occurs to you that you desire to ask any questions about, if you will make a note of them, when the time comes for discussion I shall be glad to answer them to the best of my ability, and probably be as far wrong as almost anybody else; but I shall try to do the best I know how.

In every political platform of the last thirty years of every party, Democratic, Republican and even our Progressive friends, they have included a clause or a plank that the merchant marine should be developed; must be developed, that we must have a merchant marine in this country.

Traveling all over the country very recently, in the past two or three weeks, I have visited every place I could think of where the question of the merchant marine was uppermost and have made a study of conditions in those places and have found it intensely interesting, and that terrible conditions exist.

I shall try, to-day, to give you the history of this question and of the bills which have been passed.

The first of these important bills in the thirty years was what was known as the Mail Contract Act, passed March 3, 1891. You see that is some twenty-five years ago.

Under the terms of that Act there are a number of ships operating to-day; some of them very successfully, some with indifferent success.

It was intended, originally, to establish a fast mail line of steamers between here and European ports. It accomplished that, but only in a measure. They were fast ships for those days. A good many of us can remember when the "Paris" made her famous voyage. It was the fastest trip across the ocean; but it takes a very little while for a ship to become obsolete, either in money earnings or in mail-carrying use. Improvements come so fast that depreciation on shipping property is more rapid in character of construction than it is in actual wear and tear on the ship. It is like your manufacturing machinery. While a good many of you busy manufacturing men know that you have to install new machinery, it is true with respect to a ship that in a very few years the ship becomes obsolete. They must allow certain fixed percentages of depreciation per annum.

The next bill following that was last August, a year ago, when there was passed the Ship Registry Bill and the War Risk Insurance Bill.

The Ship Registry Bill has added a good deal of tonnage.

There is no question about that. Large public interests like the Standard Oil, the United Fruit Company and the United States Steel Corporation have transferred their ships to our flag, and added considerable tonnage; but, unless conditions are altered, I think I am safe in saying that a large proportion of that tonnage will again be transferred to foreign flags, because it is to the business man's interest to do so, as a question of earnings in dollars and cents; and that is what he is working for. He has some patriotism in it, thank God. Very often we see it and are glad to see it. There has been a great deal in the merchant marine done from patriotism.

Following these two measures last year was what was known as the La Follette or Seamen's Bill. I want to read you a quotation from a letter written by Secretary McAdoo to a friend of mine, outlining the history of this bill, because it is rather an interesting history.

This bill was passed by both Houses of the 62nd Congress, that is prior to the last Congress—it is the 64th now—and was vetoed by President Taft before the close of the administration.

(Following is Mr. Baker's paper in full):

Legislation Necessary for a Merchant Marine

By BERNARD N. BAKER,

Former President of the Atlantic Transport Line

In every political platform of the different parties for the past thirty years there has been a plank promising to give to our country a merchant marine. In every session of Congress there have been various bills offered, sometimes passed by the Senate and sometimes by the House, but never, with but three exceptions, has there been any legislation passed in this very important interest of our country: first was the Act of March 3, 1891, known as the "Mail Contract Act." Such is the condition of legislation affecting our merchant marine, with the exception of the Act of August, 1914, known as the "Ship Registry Bill" and "War Risk Insurance Bill": these were passed as temporary measures at the beginning of the present war in Europe to overcome difficulties at that time. Following this was what is known as the La Follette or Seamen's Bill. The bill was passed by both Houses of the Sixty-second Congress, and was vetoed by Mr. Taft just before the close of his administration.

The "Party" Platforms

The Republican national platform of 1912 contained the following:

"We favor the speedy enactment of laws to provide that seamen shall not be compelled to endure involuntary servitude and that life and property shall be safeguarded by the ample equipment of vessels with lifesaving appliances and with full complements of skilled able-bodied seamen to operate them."

The Democratic national platform of 1912 contained the following:

"We urge upon Congress the speedy enactment of laws for the greater security of life and property at sea; and we favor the repeal of all laws and the abrogation of so much of our treaties with other nations as provide for arrest and imprisonment of seamen charged with desertion, or with the violation of their contract of service. Such laws and treaties are un-American and violate the spirit if not the letter of the Constitution of the United States."

The "Seamen's Bill"

Both national parties were, therefore, committed to the Seamen's Bill. It was introduced in the Sixty-third Congress, and, after almost two years of consideration, was passed by the House of Representatives without a division, and by the Senate without a division; so that no objection having been offered by any member of any political party, both the House and the Senate may be said to have passed the bill unanimously. A Conference Committee of the Senate and the House presented a report, which was adopted by the Senate and the House, again without division, so that each Chamber may be said to have adopted the Seamen's Bill in the form in which it went to the President, by unanimous vote, as no one raised any objection to it.

This is the history of this legislation, and it contains many very valuable provisions, and with slight changes, which will be made by the proposed Shipping Board, would meet all the demands of shipowners and crews. All the other legislation and laws affecting our merchant marine are antiquated, to say the least.

Consideration of the Subject

Now let us consider this important question under the three following heads:

First, as to the present condition of the merchant marine and our facilities for foreign commerce, and the congested conditions affecting all our exports.

Second, the necessary remedies.

Third, how can we secure the legislation to bring about the remedy?

Congestion of Marine Traffic

A recent visit to all the more important Atlantic, Gulf and Pacific Coast ports has demonstrated undoubtedly that a terrible congestion exists at all the ports, due to the absence of the necessary tonnage in our foreign trade to properly give our farmers, cotton planters, lumbermen, manufacturers and merchants the facilities they ought to have for the development of the important opportunities which now await us. It is particularly distressing in the Northwest and on the Pacific Coast, where today fruit is lying on the ground going to decay, when there is an enormous demand for it, if the facilities, which are impossible to secure to-day could be found for transportation to foreign countries.

When a prominent New York journal, one of our conservative leaders in development, the *New York Times*, finds it necessary, as it did a few days ago, in large type, to describe conditions as follows, "America menaced by ship shortage," it is manifestly a fact that America is menaced.

Again there comes a piteous plea, in a wireless message to the people of San Francisco, from the captain of the last ship under the American flag, on leaving the port of Seattle on her way to a foreign country to be placed under the British flag. May I read this to you?

To the Good People of San Francisco, via the *San Francisco Examiner*. The Great Northern Steamship *Minnesota*, the finest ship that ever sailed the seas and the largest ship flying the American flag, is now passing down by your beautiful city bound to a foreign country, never again to return with Old Glory floating over her stern. The reason for it is well known to all the business interests of our country. I bid you all farewell.

THOMAS W. GARLICK,
Commander S. S. *Minnesota*.

Now, this is the message of a great-hearted sailor to you. Captain Garlick is known from Seattle to Hongkong, from Manila to Sydney, and back to San Francisco, as an American, and now to be ordered to take his ship from the well-worn Great Circle Route and take her to find another flag, has been no less than a tragedy to him. She has been turned over to British interests and in a few hours will cross the meridian of Point Loma and her

wake will mark the passing of this country's flag from the far sea lanes of the Pacific Ocean.

Why should I take more of your time to tell you of conditions. I could keep on for a long time but these are two statements, one from the Atlantic, and one from the Pacific, which seem to me sufficient, for I know you are business men and busy men, and many of you have realized the contraction of your business and opportunities by conditions as they are to-day in the lack of tonnage.

Remedies

Second. The Remedy. Let us all join, and if we cannot secure by legislation everything we find necessary, let us still unite to secure what we can. My suggestion is that a Bill be presented to Congress giving authority to the President to nominate, subject to the confirmation of the Senate, a Shipping Board of three men, with the Secretary of the Navy and the Secretary of Commerce ex-officio members thereof; failing their attendance at any meeting, they can be represented by acting Secretaries of their Departments, so that all questions considered by the Shipping Board, especially as they affect commerce or naval subjects, will have the benefit of the coöperation of that particular Department of the Government. Give to this board the authority to establish a naval reserve on all the ships under our flag, subject to the approval and coöperation of the Secretary of the Navy. Let them arrange for the appointment of one naval cadet to each 1,000 tons of gross registered tonnage. Give to the members of the Senate and House of Representatives the nomination of the appointments in order of application for naval apprentices on these ships, in coöperation with the Secretary of the Navy. Upon the recommendations to the United States Shipping Board, the Secretary of the Navy shall appoint a board of naval officers to examine and report upon any officers, engineers or seamen for the purpose of ascertaining their ability in every way as officers, engineers or able-bodied seamen, for a Naval Auxiliary Reserve; such men to report at least once every year for examination, at such times and places as are designated by the Secretary of the Navy. The men passing such examinations as suitable for a naval reserve shall be entitled to use such designation as the Shipping Board may apply to them.

Development of Overseas Commerce

Give authority to the Shipping Board to make all rules and regulations necessary for the most efficient development of our

commerce as affected by all questions of shipping, navigation or waterborne commerce, also as to manning and safety at sea. All rules and regulations now in force will remain so only until midnight of the 31st of December, 1916, or at such earlier date as may be approved by the President of the United States; and by proclamation of the President they shall cease to have any force or validity at any prior date, when the new shipping rules and regulations shall be provided by the Shipping Board to take the place of those now in force.

Postal and Freight Rates

Subject to the approval of the Postmaster-General, the Shipping Board shall report and make recommendations for any changes necessary in the Postal Act of March 3, 1891, to fully develop mail lines of steamers to such port or ports as the result of their investigations may determine to be desirable for the development of commerce and the mail facilities of the United States, such recommendations to be submitted to Congress at the next ensuing session for consideration. Give to the Shipping Board authority to investigate discrimination in ocean rates of freight and the regulation of same, and to coöperate with the railroads in pro-rating on all foreign commerce in connection with the Interstate Commerce Commission.

Subsidy or Government Ownership

Give the Board an appropriation of \$60,000,000 for the development of the merchant marine. To invest this amount or any portion of it in the building, acquiring, leasing, chartering, operating, if necessary, or sale of ships, or for investment in any corporations now existing or hereafter created, or to any Railroad Company in the extension of its line to foreign ports; also authority to create a corporation or corporations for the purpose of establishing lines of steamers to such foreign ports, and with the coöperation of such foreign countries as will best develop our commerce, but only when such loans or investment are secured as a prior lien on all the assets of any such corporation or corporations, to which assistance, coöperation or investment may be given or any money advanced by the Shipping Board, prior to all liens of every character which such corporations may assume, provided in no circumstances shall such assistance or coöperation be given when the service to such foreign ports is efficiently covered by existing American corporations or individuals.

Secretary McAdoo on the Subject

I quote the following from a personal letter of Hon. Secretary McAdoo to Hon. A. B. Farquhar, York, Pa., November 5, 1915:

Now about the shipping question. This is such a vital economic problem, and the future prosperity and welfare of this country is so bound up in its wise solution, that I feel most intensely and earnestly the necessity for wise and prompt action by the Congress. I am not wedded to any view. I have strongly advocated the views I have advanced because they seem to be the only views that afford any sort of practical solution of the problem. If some one else can present a solution that is more practical and will be more efficacious, I shall be as quick to support it as I have been earnest in urging the views I have already presented.

We must take this question up from the standpoint of patriotism and intelligence, because, if we are inspired by patriotism, our hearts will be right, and, if controlled by intelligence, our judgments will be right. We must think of America first, and subordinate everything else, including our personal interests, to the welfare of our beloved country.

How to Secure Needed Legislation

As to the third subject. How can we secure this legislation? I should like to state now, while this is so crudely expressed and subject, of course, to many changes in the proper preparation of such a bill fully covering these general principles, that such legislation can be secured if you business men will all unite in your efforts, entirely independent of politics or personal interests, for the passage of such legislation, and not only are you interested, but the whole country, the laborer, the farmer, the manufacturer, the banker and the merchant, every one is equally interested as patriotic citizens of our country, and they should add their appeals to Congress to pass such a bill as will place our country once again in the position we had prior to 1860, as the mistress of the seas, not in war, but in peace, in carrying the commerce of the world.

I thank you, gentlemen, very much. Mr. Woolley is here, who will give you the Administration point of view, which I am not authorized to do.

THE CHAIRMAN: Gentlemen, the honorable Secretary of the Treasury was invited to address you at this Conference, but you will all appreciate that it is practically impossible for any officer of the Administration to be away from our national capital just at this time, and he, with a great deal of interest, has delegated Mr. Woolley, Director of the Mint, to represent him here.

I have the pleasure to introduce to you Mr. Robert W. Woolley, Director of the Mint.

A Government Controlled Merchant Marine

By ROBERT W. WOOLLEY,

Director of the Mint

Mr. Chairman and Gentlemen: First of all, I beg to convey to you the sincere regrets of the Secretary of the Treasury that he found it impossible to address you this afternoon. As you know, the opening session of the Sixty-fourth Congress begins to-day, and the demands upon his time are very great. He found it necessary to request another to speak to you of the great undertaking to which he is devoting so much thought and energy—a Naval Auxiliary Merchant Marine. I feel deeply the compliment shown in asking me to perform this important and pleasant duty, and I only hope that I may, even though I do so feebly, impress you with some of the reasons which Mr. McAdoo and those of us associated with him in this fight for a return of the Stars and Stripes to the lanes of commerce on the seas deem potent.

The Freight Congestion

The most powerful of all arguments that something must be done is that approximately fifty thousand freight cars, loaded with commodities for home consumption and foreign shipment, are crowding the yards and choking the main lines of every railroad leading into New York and its environs. So great is the demand and so few are the ships that the most stringent measures to relieve the congestion at this and other Atlantic ports are being resorted to by the railroads. The Pennsylvania, the New York Central, the Baltimore and Ohio, the Lackawanna and other great systems have had to place a ban on certain articles destined for New York, and a committee of representatives of all the roads centering here meets daily to consider this vital matter of congestion of traffic. So inadequate is the supply of ships that what has been aptly termed as “overeating” on the part of the railroads has become an evil demanding prompt and heroic treatment.

It is estimated that there are today in the freight cars crowding the railroad yards of New York and its immediate vicinity approximately 700,000 tons of commodities awaiting shipment to the Old World. A railroad ton represents 40 cubic feet, a ship ton 100 cubic feet. It is also estimated that 50,000 ship tons, or 125,000 railroad tons of these commodities are daily being loaded into vessels. Of course,

the arrival of tonnage every twenty-four hours from the interior is proportionately much greater; that is the reason for the congestion. It is easily seen, therefore, that conditions are getting worse every day.

However, I have not come here to preach calamity. In the words of the immortal Lincoln, "this, too, will pass." But the lesson of it will be lost and our stupidity will be emphasized if we do not take careful and practical thought of the morrow. Let us not mistake for sound reasoning the words of denunciation indulged in by those who see scarlet and cry "Socialism!" whenever the possibility of our Government owning ships engaged in commerce is suggested, but I ask you business men to consider the facts and to judge impartially the proposition which is about to be advanced in the shape of Secretary McAdoo's bill providing for a Naval Auxiliary Merchant Marine.

The Administration Will Not Grant Subsidies

We are caught redhanded, the victims of our short-sightedness of former days—yes, even of less than a year ago when the Congress refused to pass a Ship Purchase bill—and yet there are men of large affairs whose opinions are widely respected and whose advice is greatly sought in matters paramount, who cynically observe that all would be well if the Government of the United States were to grant a subsidy, then keep hands off and let capital do the rest. Well, that isn't going to happen; not in this day of the death struggle of privilege and of the dawn of the renaissance of fair play. Uncle Sam's engagement as "Aladdin's Lamp, Limited" has closed, and it would be well for those who are not aware of this fact to catch some of the new spirit of things if they really wish to help.

In telling recently why he had been converted to Secretary McAdoo's plan for an American Merchant Marine, Roger W. Babson, the noted economist and statistician, said:

"The reason that England, Germany and other countries have used subsidy to such advantage is that they were alone in the field. Moreover, now that they are already so well entrenched, it would take a hundred million dollars and a generation of time for us to secure a footing by their methods. As fast as we gave a subsidy they would add a similar amount to their present subsidy, and they would continue to be just so much ahead of us."

Furthermore, a subsidy is, in its final analysis, a tax on the many for the benefit of an exceeding few, is bad in morals and

in influence vicious. I refer, of course, to the insidious and powerful lobby which would inevitably be maintained to guarantee its permanency, because there is no such thing as a permanent policy under our form of government; what one party does when in power another party may undo when it takes over the reins. Can you imagine a better legislative football, a greater source of graft than a subsidy would be? And can you imagine any party selling Uncle Sam's Naval Auxiliary Merchant Marine, once it is established, unless private capital shall have done that which those who hold a brief for it have so long talked of—built ships enough to carry our wares to every port and restore to the United States the glorious preëminence of the days of the clipper ships, days when the names of the father and grandfather of our good friend, Mr. Bernard N. Baker, whose interesting address we have just listened to, were spoken on the seven seas?

The Present Seamen's Law Not Opposed in Congress

Before taking up more reasons for the creation of a Government-controlled Merchant Marine, I beg to devote a moment to impressing upon you the utter uselessness of trying to expand our commerce, of trying to make dollar exchange a permanent reality, in any other way. The La Follette Seamen's law was passed without a recorded dissenting vote from Republican or Democrat in either House or Senate. It is true that an effort was subsequently made to reconsider the action taken in the latter body, but it was futile. The platforms of both political parties contain planks recommending the passage of such a measure, and the man whose name it bears is not of the Democratic faith. These are facts which he who would be constructive must consider.

I refrain from discussing the merits of the LaFollette law because I realize that there is much hostility to it in the business world and because any views that I may entertain concerning it are not important. The interpretation of the provisions of this Act recently made by the Attorney-General assuaged, in a measure, the wrath of some of its opponents, and Congress may further modify it a little; but considered largely, it is here to stay because Democrats and Republicans in convention and in Congress assembled have interpreted the sentiment of the people of the United States as being for it.

In an excellent speech outlining the Administration's plan for a Naval Auxiliary Merchant Marine, delivered at Indianapolis recently, Secretary McAdoo said:

"I do not believe that the standards for the American seaman should be lowered, nor do I believe that any Congress of the United States will ever lower them. The reason I believe it would be unwise is the question of humanity. The treatment of sailors under the navigation laws of most of the nations of the earth, so far as I have been able to study them, has always made me wonder why as many men choose a seafaring life as do."

And in this connection let me say that a very important phase of the proposed legislation is the creation of an American Naval Reserve. Mr. McAdoo has well contended that in order to get the right kind of men to go to sea their welfare and manhood must be safeguarded by law.

The Need of a Naval Auxiliary

Gentlemen, did you ever ponder seriously how urgent is the United States' need of a Naval Auxiliary? All of you recall the splendid cruise around the world made by our men-of-war in 1908. Probably no other incident of our time has done more to excite our pride and warm the cockles of our patriotic hearts than that cruise, and yet those splendid men-of-war were coaled from vessels flying practically every flag of the world except the Stars and Stripes. To be exact, I was informed at the Navy Department a few days ago that after leaving Rio de Janeiro on the way around Cape Horn and up to San Francisco, not a dollar's worth of coal was furnished by an American vessel. Yet, just ten years before that Uncle Sam invested eighteen million dollars in a lot of old boats, some of which soon went to the junk heap, and called them a Naval Auxiliary. At the same time he purchased for the War Department army transport ships costing more than eight million dollars, and leased others whose rental in four years' time, when they were returned to their owners, totaled nearly eighteen million dollars. It has been said that President Roosevelt had two things in mind when he sent that fleet around the world. One was to demonstrate what a powerful Navy the United States possessed, and the other to impress upon the American people themselves the fact that in time of war that fleet would be practically helpless because of a lack of colliers. I don't vouch for this story but no stretch of the imagination is required to believe it.

Innumerable difficulties were encountered by the Paymasters in securing coal and provisions. At Melbourne, Australia, where coal is difficult to obtain in considerable quantities except upon long notice, the colliers failed utterly, and it was necessary to exercise great ingenuity to get coal, even though at a price much higher than market quotations, to enable the fleet to proceed. My authority for this statement is the report of the senior Paymaster on that cruise.

Now let us consider what happens when war is upon us and a Naval Auxiliary has to be secured in haste. Of the one hundred and two vessels purchased for a total of eighteen million dollars, the Navy Department has sold twenty-five since the Spanish-American War for the insignificant sum of \$1,167,628. A notable example of absurd depreciation is the *Zafiro*, bought for \$87,597 and sold for \$3,300 to the Chicago Junk Company; another is the *Yosemite*, bought for \$575,000 and sold for \$11,522; and still another is the *Hornet*, bought for \$117,500 and sold for \$5,100. The army transport *Terry* was purchased December 12, 1898, for \$150,000, and was sold on August 5, 1901 (in use less than three years) for \$19,600; \$145,000 was paid for the *Seward*, for use by the army April 11, 1900, and it was sold in 1914 for \$5,325; the *Sedgwick* was bought for the army for \$200,000 on July 27, 1898, and was sold four years later for \$52,000. In brief, within four years after the outbreak of the war with Spain, the United States spent approximately \$45,000,000, just \$5,000,000 less than the Administration's bill will probably call for, for auxiliary vessels for the army and navy, and we all know that what remains of them is hardly worth serious mention.

The Political Parties Not Far Apart

Not only is the need of an adequate Naval Auxiliary universally conceded, but we find that leaders of the two dominant political parties are really not so far apart as to the method by which it should be secured. As recently as March 26, 1914, Senator Weeks, of Massachusetts, who conducted the filibuster against the Ship Purchase Bill in the closing days of the Sixty-third Congress, introduced in the Senate a resolution containing the following preamble:

"Whereas, it is desirable to develop and extend commercial relations between the United States and the countries of South America by the establishment of direct lines of communication for carrying the United States mails, for the transportation of passengers and freight and

"Whereas, private capital has not engaged in this service to a sufficient extent to furnish facilities comparable to those enjoyed by the people of other countries having trade relations with South America,

"Therefore, it is resolved that the Secretary of the Navy be authorized to prepare a plan for the operation of some of the Navy cruisers between New York and New Orleans, the city of Valparaiso, Chile, and intermediate points."

Isn't that Government ownership of a merchant marine? If the arguments advanced by the opponents of Mr. McAdoo's plan that the United States has no right to engage in business in competition with private capital is sound, wouldn't it have held good also had Mr. Weeks' bill become law? Republicans and Democrats so understood it and the Weeks bill passed the Senate without a division, but when the House so amended it that it authorized the Government to take stock in a shipping corporation, just as the Government owns the stock of the Panama Railroad and Steamship Corporation, the Republican Senators faced about and killed the measure in most vehement fashion, though Senator Weeks and Senator Gallinger had originally urged in its behalf the fact that the United States had spent four hundred million dollars in the building of a canal and had no steamers prepared to undertake the extension of our foreign trade. The difference is that Senator Weeks' measure was to do in a half-hearted and most inefficient way what the Democrats in Congress proposed and are again proposing to do in a big and comprehensive way.

Results of Defeat of Shipping Bill

And what is the result of the successful fight which Mr. Weeks and his associates made against the Shipping Bill in the last Congress? A dearth of vessels to carry our exports to Europe, and an even more serious shortage of vessels for the Latin-American and Oriental trade; freight rates extortionate beyond the dreams of avarice, and our own railroad terminals at the seaboard, as I have already stated, choked almost to the point of paralysis with the products of our mills and our farms. Eighteen months ago the rate on cotton to Mediterranean ports was from eighteen to twenty cents per hundred pounds; I am informed that now it is \$1.50 per hundred. The value of a barrel of lubricating oil is about \$6; the rate on a barrel to Mediterranean ports eighteen months ago was seventy-five cents; now it is from five to eight dollars. I am telling you business men nothing new when I say that all trans-Atlantic freight rates have advanced fully 500 per cent., and in some cases have gone

much higher. No wonder the foreign shipping pool squirms and causes its marionettes in Yankee-land to do a war dance when the news breaks that a government controlled merchant marine for Uncle Sam is planned.

We talk a great deal about dollar exchange and the fact that the apparent balance of trade is now more than \$1,600,000,000 in our favor, but we pause for thought when we look at the other side of the picture and consider that in normal times we pay to the owners of ships flying foreign flags approximately \$300,000,000 a year for carrying freight, practically all of which should be hauled in American bottoms. We seem not to realize, when we pause to consider the future, that the very ships for the existence and maintenance of which our gold is responsible have failed us miserably when we needed them most, and that the owners of those remaining in the trans-oceanic service, like the robber barons of old, are demanding all the traffic will bear.

Now, once more as to the needs of the Navy itself. The Secretary of the Navy has estimated that there would be required in time of war four hundred merchant vessels for auxiliaries, with a total of 1,172,000 gross tonnage. In addition, should our coast be invaded, or even occasionally visited, we would need at least three hundred and twenty-four small vessels of about 150 gross tons each for mine sweeping. The larger vessels, of course, would act as fleet scouts, colliers, oilers, supply and repair ships, ammunition supply ships, hospital ships, etc. It is believed that the 324 small vessels could be secured from our coastwise craft, but from the entire merchant marine of the United States—and it is probably much greater today than it will be when this terrible war is over—only 700,000 gross tonnage of vessels available for conversion into naval auxiliaries could be secured. Therefore, we would have to look elsewhere for at least 500,000 gross tonnage. Where would we get it? A few days ago the Chamber of Commerce of the United States issued a statement which, in part, is as follows:

"Our merchant marine consists of 337 steel sailing ships, averaging 1,600 tons, 544 wooden sailing vessels averaging 600 tons, 239 wooden steamers, averaging 300 tons, and 331 steel steamships, averaging 3,800 tons. In large merchant steamers, the class that is fast growing in commerce, and of a size and speed to render some assistance as naval auxiliaries, the United States stands third, surpassed only by Great Britain and Germany, but a glance at the grand totals and then at the individual figures for each country reveals a startling situation.

"It seems that 60 per cent. of the big and able steamers of the world are owned by Great Britain and not 7 per cent. by the United States.

Here lies the root of all discouragement as to our merchant marine. The trade and wealth of the United States have at their disposal only about one-tenth of the shipping facilities available to the British merchant and manufacturer. To carry the bulk of our sea-borne commerce we have to rely on the ships of friendly nations. The estimated result is that every year three hundred million dollars leaves the United States in the form of freight payments for deposit in the coffers of foreign ship owners. . . . Americans must have actual commercial sea-power in proportion to their trade."

That, gentlemen, is from what is probably the foremost commercial organization of the world. Such a thing is almost inconceivable, but suppose to-morrow we were to go to war with Great Britain! How would we coal our fleet?

Relation of Merchant Marine to Dollar Exchange

A great boon to us as the result of the chaotic conditions in the old world is Dollar Exchange. We have it so far as floating credits are concerned (and each succeeding day is emphasizing it), but we wouldn't have it long if the close of the war were to find us without definite action taken to secure a merchant marine flying the American flag with which to maintain it. It is estimated that, in spite of the extraordinary and tremendous demand of the belligerent nations for credits at New York, approximately \$5,000,000,000 of gilt-edged American securities are still held abroad. To offset that we have loaned \$900,000,000 to European countries and to Canada since the war began, and in that period other nations have shipped to these shores something over \$325,000,000 in gold. When peace is restored an enormous amount of money will be required for the rehabilitation of Europe; that money will go largely from the United States. This means that we will become interested in developments of many kinds, that by so doing we will be creating new markets for our products. These many years Europe has been lending to us and now we will become the lender. Our great national banks, under the provisions of the Federal Reserve Act, the most wonderful piece of legislation enacted under any administration since the Civil War, are establishing branch banks in the great capitals of the world in order that we may be on a par in this respect with Great Britain and Germany and France. Only a few days ago American financiers formed here a \$50,000,000 corporation for the purpose of financing beyond our borders great undertakings, many of which are held in abeyance only until hostilities cease.

Would those who oppose the establishment of an American Merchant Marine on theoretical grounds have the United States stand idly by and allow the greatest opportunity of all time to pass from her?

Let us consider for a moment what the South American trade is worth? Great Britain and Germany have \$5,000,000,000 invested in that continent. The latest figures show the total imports of South America from the countries of Europe were \$677,767,815 in the year preceding this war, and that the United States furnished only a little more than \$165,000,000. Much of this trade would be ours if we were only to go after it in a practical and effective way.

For example, Brazil, in time of peace, buys \$17,000,000 worth of coal from England each year and only \$2,000,000 worth from America; England sells Argentine \$25,000,000 worth of coal annually and America only \$1,000,000 worth. England can no longer supply that market, but our New River and Pocahontas coals can take the place of the Welsh coals because these coals can match the Cardiff coal in low sulphur and ash, and can meet its highest heat values. But the rates which foreign ship-owners charge for hauling coal from these shores to South American countries are prohibitive; so we must let that opportunity pass.

A Merchant Marine Needed to Regulate Rates

Take Russia: She imported nearly \$600,000,000 of foods and manufactured articles annually under the provisions of a favorable treaty. Germany supplied \$300,000,000 of this amount, and the United States only about \$45,000,000. Of course the treaty died when hostilities began. Our trade with Russia in the past fiscal year showed a marked increase over that for 1914, but when the head of the Bureau of Foreign and Domestic Commerce of Washington tells us that Russia's purchasing power is three and one-half times that of South America, and that industrially she is where the United States was more than fifty years ago, we have food for thought. We are bound to be tremendously impressed with the fact that if we propose to invest money in and sell goods to Russia, South America, Australia, or where-not, we must have an adequate merchant marine because it would be dangerous to have our commerce at the mercy of another nation should war ever occur again upon the earth—and

doubly would this be true if we were a belligerent. Furthermore, we must have a merchant marine in order that our ships may do for American commerce what the ships of Great Britain, Germany and France do for the commerce of their countries—transport our goods to the seaports of the world always at reasonable rates.

Mr. Roger W. Babson said recently in this connection:

"I am in favor of Government owned ships because I believe that it is the only arrangement which will enable us to break up the steamship pool which at present has our manufacturers in its grip. No private corporation, with or without subsidy, could resist the temptation to become part of this pool, which is controlled abroad and whose rates are beyond the regulating power of our laws. But government owned ships could no more join the pool than the Post Office Department could make a deal with the express companies to hold up the people.

"No private shipping corporation could break up these pools; it would cost too much money and the stockholders wouldn't stand for it. These pools can be broken up only by government owned ships not responsible to stockholders."

Secretary Redfield, admittedly the most practical man that has yet been at the head of the Department of Commerce, stated recently that our factories, running seven months in the year, could supply all of our domestic requirements. It is, therefore, obvious that if we propose to furnish employment the year round for labor, and realize fully the possibilities of our great manufacturing units we must go beyond our borders both with our capital and with our goods.

I am only trite when I say to you gentlemen that a desirable debtor produces trade so surely as the day follows the night, and that in foreign lands we must create that debtor and then cultivate him.

I beg to assure you that if the proposed legislation is enacted, it is not the intention to maintain regular steamship lines where sufficient and satisfactory service has been established by American companies operating ships under American registry. Ordinary cargo ships could be used in any or all parts of the world for the benefit of the commerce of this country.

A Shipping Board to be Created

Among other things, the bill which is being prepared by Secretary McAdoo and will be introduced as an administration measure, is expected to provide for the creation of a shipping board, to be composed of the Secretary of the Navy and the Secretary of Commerce, as members ex-officio, and three members

to be nominated by the President and confirmed by the Senate; for the sale of \$50,000,000 of Panama Canal bonds, in order that a fund may be created to be put in the hands of this board; the board would have authority to establish, as soon as practicable, steamships lines to the east and west coasts of South America and to the Orient; it would have authority to organize a corporation and to subscribe to the capital stock thereof in whole or in part, the board to vote the stock belonging to the United States for the election of directors; these directors, in turn, would choose the officers and employees of the corporation; the corporation could sue and be sued, and thereby the necessity of securing an Act of Congress before payment of a judgment rendered by the Court of Claims would be avoided; the shipping board would have the power to lease or charter cargo ships to responsible individuals, firms or corporations under such conditions as the board might deem best; the board would have power to reform our navigation rules and regulations, to settle shipping problems and recommend to Congress the necessary legislation to encourage and develop a great merchant marine under the American flag; the board, acting in conjunction with the Interstate Commerce Commission, would be authorized to arrange through bills of lading between our railroad lines and steamship lines operating under the American flag in foreign trade, and to provide the means whereby special through rates could be made between our railroads and steamship lines to enable them to meet the competition of foreign carriers in the open markets of the world.

Be not deceived. Those who strenuously oppose the creation of a Naval Auxiliary Merchant Marine at this time are battling for subsidies. And I say to you that so long as Woodrow Wilson and the Democratic party are in power at Washington subsidies are to have no quarter. Also, you should weigh carefully the fact that those of the other great political party who now cry that capital should be given the right to build an American Merchant Marine denied capital that right when they held sway in Washington.

Fate has decreed that ours shall be the premier financial and commercial country of the world. Are we to battle with fate, or are we to do what we can to achieve our destiny?

MR. BAKER: My attention has been called by a friend to the fact that I spoke of the absolute absence of the American flag on the Pacific Ocean. I understand that I did not say "in

the foreign trade," but I hope you all understand that. There are plenty of flags there in our domestic trade.

THE CHAIRMAN: Gentlemen, our next speaker on the subject which is on the program is the Honorable William H. Douglas, of New York City.

Mr. Douglas has been familiar with matters of transportation as between this and foreign countries for a great many years, and is a man of much experience and was formerly a member of our national House of Representatives.

I have the pleasure of introducing to you Mr. Douglas. (Applause.)

The Present Status of the American Merchant Marine and Pending Legislation

By HON. WILLIAM H. DOUGLAS

President of Arkell & Douglas, Inc., New York

MR. DOUGLAS: Mr. Chairman and gentlemen: I am very glad to be with you today to listen to discussions on the great international questions which affect this country, but specially am I pleased to have an opportunity to say a few words on what I consider, with the one exception of the question of preparedness in case of war, to be the greatest international question of all, the establishment of an American merchant marine. We should prepare; we need an enlarged army and navy to protect the honor and dignity of this country, which has not been protected during the last twelve months. (Applause.) We need these precautions to also protect the women and the children of our country, and the homes we have built up.

These two great questions, gentlemen, go hand in hand. We are justified and right in endeavoring by peaceful means to conquer the nations of the world commercially, and while we do not wish a navy to conquer the world, we at least desire a navy to keep the world from conquering us. (Applause.)

The business men of our country interested in the growth and expansion of our foreign commerce have watched with satisfaction its enormous development, and today they may pride themselves upon enjoying the largest export and import trade of any country in the world.

On the other hand, however, they have been amazed and keenly disappointed at the folly and indifference of our Govern-

ment and Congress in failing to safeguard adequately this business, so essential to our welfare, by also building up through wise legislation an adequate American merchant marine to transport our goods to the world's markets.

The theory advanced by some that we can profitably employ others to do our carrying is absurd, and the fallacy of these arguments has been so clearly shown by the disastrous experience we are now forced to face, owing to war conditions and our lack of shipping, that it is to be trusted we shall hear no more of such opinions.

We cannot comfort ourselves with the excuse that present conditions were not anticipated, as they were clearly foretold and discussed by our citizens and our public men, and were debated in the Halls of Congress during many years past. War in Europe was a foregone conclusion—sure to come—and the only uncertainty was when would it break out.

The shipping question must now be settled, and satisfactorily to the American people, as it seriously affects the welfare of all classes, the laborer, the farmer, the manufacturer, the producer of raw material, the merchant and the exporter.

No important foreign nation would tolerate the absolute monopoly of its ports, and the establishment of mail and freight lines flying foreign flags, carrying 95 per cent. of its products, reaping enormous freight profits and usurping its people's rights, without protest. It would quickly adopt legislation to change so humiliating a position. Yet this is our status to-day, and we are still hesitating as to what action is essential, after debating the question for a quarter of a century.

Under government paternalism these foreign vessels are subject to call, and should we have any serious trouble with those who dominate the carrying trade of the world, few vessels would be left for hire, and without a fleet of our own our products, even after reaching the seaport, could not be sent abroad, and our losses would be, in a few months, a hundred times greater than the cost of rehabilitating our maritime position.

Even without our nation being embroiled in the war, had those engaged in the present struggle been about equal in naval strength, so that tonnage would not have been available, instead of having handled the enormous trade which has come to our country, we should have been most seriously handicapped. Fortunately for us, one nation was able to command the seas, and it also had the mercantile vessels to handle our exports, so that we have not

seriously suffered. The danger, however, of any one power practically having supreme control of the waterways of the world must have been impressed on the mind of every student of international affairs.

Handicaps of American Shippers

In addressing this audience of manufacturers, merchants and exporters, it is not necessary to take up in detail the many reasons why we should no longer delay the building up of a maritime fleet. The story has been often told and is now well known to all.

You are thoroughly posted in reference to the excessive rates we have had to pay for many years, and as to the millions which should have gone to our own people annually contributed in profits to others. It is also well known how we have suffered from rate discrimination, lack of regular shipping facilities, slow tramp steamers used by alien lines to carry our freight when vessels of greater speed were employed at their home ports.

There has been no protection in the payment of just claims, prepayment of freight has been forced upon us without justification, and our merchants have often for long periods been unable to secure tonnage for full cargo requirements, resulting in heavy loss of business.

The agents of alien lines running from our ports have had little or no authority, and are obliged to cable to their home offices in Europe to secure rates when desired. Uniformity of rates has been denied us, our large corporations securing monopoly of room and excluding others, or by contract obtain preferential rates to the serious detriment of the smaller shipper.

The attempted effort to give the impression that our shipments to other countries are on a basis of equality with the rates charged to the same countries when similar goods are shipped from Europe cannot be substantiated. The foreign lines without exception are in combination to prevent competition, sailings are arranged and uniform rates agreed on. In view of all these disadvantages, it is surprising that we have been able to accomplish the splendid showing we have as exporters.

Our Present Commercial Situation Dangerous

Our present commercial situation is dangerous and a continuation of the war for any great length of time may jeopardize, for a period at least, much that we have gained in the world's

markets. Freights today are congested and there is serious lack of facilities for shipments to Australia, New Zealand, South Africa, South America, China, Japan, and the East generally. It is impossible to make any contract ahead, and rates have been increased to an extent which is almost prohibitive. Merchandise on which the rate was \$5 a ton fifteen months ago can now be shipped only on a basis of \$25 to \$30 a ton, and shippers are told that still higher figures are likely to prevail. The cost of carrying cargo by these vessels is only slightly enhanced by reason of war conditions, and the owners are making three and four times the cost of the ship in two or three voyages. It is estimated that the profit to English steamship owners since the war began will amount to over one thousand millions of dollars.

All this is a sad condition for us to face when we look back and realize that an expenditure of \$5,000,000 or \$6,000,000 a year for the last ten or fifteen years would have established a dozen American lines to the world's markets and have given us a splendid fleet, saving our people hundreds of millions in freights and the avoidance of many of the hardships we are now obliged to submit to.

The government missed a great opportunity when the war broke out, or as soon thereafter as possible, in not enacting a temporary war measure based on the necessities which could be clearly seen ahead. The people of this country would not have found fault or begrudged the immediate appropriation of \$50,000,000 or \$60,000,000 for the purchase or hire of vessels to aid our commerce. A year ago such an expenditure would have been of untold value to us. The steamers secured could have been operated in various directions, based on the most urgent necessities at the time, at rates which would have been sufficient to cover actual cost of operation, and even if the final result should have been a loss for the government, so great would have been the benefit to our commerce that the sum expended for its protection would have unquestionably received the endorsement and approval of the United States.

What, however, did they do? In some garden the rank seed of permanent operation by the Government of American merchant ships was planted, and they would not listen to the merchants, or men of experience. They stated, instead, we will go to Congress and we will secure an appropriation of many millions to be used by a shipping board for the purchase, building or leasing of vessels, and we will operate these ships in the deep

sea business as it may suit us, and establish foreign lines which the American merchants have not had the enterprise to do.

Now, gentlemen, I wish to say right here that the men who made these statements should have known their facts. It was not a fair statement. How can you pass law after law knowing that you are deliberately preventing the initiative and the ability of the American merchant to place ships on the ocean on an equality with the fostered care of Europe, and then turn round and accuse them of not taking advantage of their opportunities, when you know full well, and the Government knew full well, and those who assailed the merchant, that our people could not, by reason of the conditions which the Government had forced upon them, carry out policies which the Government now claim they must do to protect our people.

No wonder that those interested in shipping took exception to the situation, defended themselves, opposed the bill, and protested that the right to fly the American flag on the ocean should not be taken away from them. The bill, however, was put through the House by the force and determination of the Administration. Did the men in Congress want the bill? There is not a man here who knows anything about the workings of Congress last winter but will frankly admit they did not.

Who was the father of that bill? No one appears to know. It was impossible to find out.

Secretary McAdoo was most prominent in advocacy of the measure, but I believe that even he did not say that it was his measure. I understand that President Wilson stated that it was not his bill, although he was in favor of its passage. The members of the House and the members of the Senate and the leaders of both branches who had the measure in charge endorsed the bill, but they did not claim that they were the writers of the measure. Therefore, I have no hesitancy in saying, gentlemen, that the origin of last year's bill was somewhat obscure, but we do know it had the support of the Administration, and we are further advised that it is now proposed to introduce another bill along the same lines against the wishes of the American people.

MR. WOOLLEY: Mr. McAdoo does father that bill, and is proud of it. (Applause.)

MR. DOUGLAS: I do not think that Mr. McAdoo did more than state he strongly advocated the bill.

MR. WOOLLEY: I came here as the representative of Mr. McAdoo, and I have been with him when he was working on the bill. He is very proud of it.

MR. DOUGLAS: I refer to the bill introduced last winter.

MR. WOOLLEY: I am speaking of the present bill.

MR. DOUGLAS: I will speak of the present bill shortly.

MR. WOOLLEY: All right, sir.

MR. DOUGLAS: If you know what the present bill is, I do not, but I hope I can make some suggestions which will be listened to by Mr. McAdoo. Please understand I am not desirous of being unfair to this gentleman. In fact, I propose to praise him before I get through.

MR. WOOLLEY: I just want to set you right. I do not care to get into any controversy in the matter. I simply want to set you right as you go along.

MR. DOUGLAS: I now understand from you he fathers the present bill. He did not last year, I understand. He was, however, in favor of the bill and worked for it.

I wish to say I have great respect for Secretary McAdoo, even if I do not respect his judgment on this bill, because he is straightforward. He has stated he wanted an American merchant marine, and he has had the courage of his convictions. He has traveled in the West and to other sections of the country, and he has informed the people that we need a merchant fleet—that he hopes to give it to us—and in view of these facts he has rendered us a great service by exploiting this great question for the enlightenment of the American people, and he has made the people think. I am further going to show later where I stand with the Secretary, because I hope he has learnt from me, as I have from him. (Laughter.) I am willing to give him full credit.

It is sad to look back, however, and think that many bills have been introduced in Congress, any one of which would have placed us in an entirely different position from that we occupy today, but they have been invariably turned down.

I hope my friend representing the Government (Mr. Woolley) will not think in saying this I am assailing the Democratic Party; because, gentlemen, this position is largely due, if not entirely, to the Republican Party. (Laughter and applause.)

The Democratic Party at least have tried to do something since they have been in power, even if they have not done it wisely. (Laughter.) But the Republican Party, claiming to

speak for the wisdom of the nation and notwithstanding their many years of experience in service, never lifted a finger to carry through to completion any beneficial legislation.

It was computed in the year 1904 by the Speaker, that five or six millions of dollars would have established one or two lines to South America, Central America, India, China, Japan, Australia, New Zealand and South Africa—also a line to the Philippine Islands, stopping at the Hawaiian Islands in transit. I introduced a bill at that time covering the establishment of lines as named, authorizing the steamers to be partly bought abroad if desired to obtain promptly the tonnage necessary, but one quarter of said vessels had to be built in the United States in the first five years, and half within ten years, and thereafter all to be of United States build.

The bill provided that these ships should be built under supervision of an officer of the Navy, so as to be available, as far as possible, for cruisers, transports, colliers, etc., and no vessel not acceptable to the Secretary of the Navy to be employed under the contract.

A yearly bond was to be taken for the faithful performance of the duties entered into by the contractors. That the steamships should be officered by citizens of the United States and at least one quarter of the crew should be United States citizens for the first three years, one third after the first three years, and half thereafter, were also required.

It further provided that one apprentice should be taken for each one thousand tons gross register, to be educated in the duties of seamanship and to receive pay, and to rank as a petty officer.

The speed of vessels for each line was to be at the discretion of the Postmaster-General, the object of this clause being to put on vessels which could compete properly with alien vessels running in similar directions.

It safeguarded the ownership of the line absolutely to American citizens.

The bill further gave the Secretary of Commerce and Labor supervision and right of consultation as to freight and passenger rates and stipulated that no shipper should be discriminated against in rates of freight or by any system of private rebates or other concessions made at date of shipment, or later period, to a shipper or consignee, and that no monopoly of freight room of any one article or articles should be given to any shipper or

shippers. Further, no contractor or contractors should enter into combination with any other parties or lines running steamers to the same port or ports provided for by the contract. These last named provisions, protecting the interests of the shippers of the United States, were then for the first time introduced into a shipping bill presented to Congress. We now find twelve years later that such provisions are being generally accepted and have the endorsement of the Administration today.

This illustration I give to show the slowness of Congress. Had that bill passed the cost would have been less than seventy millions of dollars between then and now. How many millions it would have saved us cannot be determined, but it would have given us protection for ten to twelve years to a fair degree, safeguarding our rates. As these lines would have increased in importance yearly we should have had during the present war a large number of secured mail lines under contract, with supervision of rates by a government department, and ten times the total government outlay would have been saved the public of the United States during the past fifteen months. Furthermore, the vessels would have been always at the disposal of the government along the lines now so heartily endorsed by everybody in connection with building up our maritime power.

The Republican Party was then in power. I was a Republican. I could not get that bill even considered by the committee of the House of Representatives, or considered by the members of the House, and like many other bills, and good ones, introduced at that time it died a natural death.

I will now take up issues brought out by Secretary McAdoo in his Indianapolis speech delivered on the 13th of October.

The first thing that I would criticise is the bill's title, and I am doing so entirely in a friendly way, as my interviews with the Secretary have always been pleasant, and I know he wants to do what is right, and further I believe if he is only guided right he will do what is right. The bill is called "A Naval Auxiliary Merchant Marine." This is an unfortunate start. We do not want a naval auxiliary merchant marine. We want a merchant marine, built for the commercial requirements of the country, and for our foreign trade, and then we want this merchant marine to be used as an auxiliary to the navy. It appears the question is being approached from the wrong angle. The Secretary seems to consider the navy and army requirements as most im-

portant, but you cannot build up a merchant marine from that angle, gentlemen. (Applause.)

In a few words I will tell you why. It is proposed to put on steamers to South America. I wrote to Washington to try and obtain a list of the vessels which were required to make up the 500,000 gross tonnage essential for navy purposes, but I have not yet been able to get it. It was a list made out by the Navy Department, and I understand embraces a large number of different classes of steamers.

Now, the Government does not know what it is running up against. Let us take just one illustration. Vessels to South America going to the Argentine are of a speed which will not average more than about ten knots an hour. I would like to have twenty knot boats, but I must speak of the facts. There are some vessels which will go eleven to twelve, or even thirteen knots, as a maximum, but this is not twenty knots, and such speed will not be attained on commercial vessels for many years.

These ships are built specially for business requirements, that is, they are of large carrying capacity, the consumption of coal is economized, and the vessels can carry, if required, large deck loads. Of course, I am guessing more or less about the kind of ships the Government would build for these lines, but if it is entirely and solely based on navy requirements, they will not put the proper class of ships on the berth, and in handling them they will lose large amounts of money.

One of these immense tramp steamers loading against a steamer that would steam sixteen or say eighteen knots with small carrying capacity, which vessel could only be handled at almost double the cost of operation, will not create and build up American merchant lines to that country. Such vessels will simply perpetuate the control of the alien steamship on that route or any other route. (Applause.)

There is no question about that, gentlemen, and you will have to face it.

Of course with the unlimited power of the Government in a moneyed way, and money counts, they can do anything, but what is one line worth to South America, even if we load to the West Coast and also to the East Coast? Such lines would not carry one-tenth of the commerce of the United States going to South American ports. Are we going to leave 85 to 90 per cent. of this great commerce in the hands of aliens, and let them make the enormous profits they would? Do you think

they fear the Government opposition as the Government scheme is laid down today in the present bill?

Let me tell you that the alien steamship people are not afraid of such opposition, or this kind of a bill, and that they will be glad to see it placed on the statute books.

What we want is a real American merchant marine. We do not want to have our commerce crushed in that way.

It is true I am now appealing for subventions to start the American merchant marine, and establish lines, but if we do not establish them that way it is doubtful what we will secure under government plans and whether we will obtain the right type of vessel. What we need is to secure the initiative of the American people. They have never yet been called upon to do a public service and given the chance to do it, that they have not responded. (Applause.)

The Government bill I understand calls for fifty or sixty million dollars to be appropriated. How many ships will be secured with this money cannot be stated definitely. The purchase value of steamers or the building cost of a type requisite and essential, and I am now speaking of South American requirements, although the same applies to all other countries, will not enable us to obtain these ships under six hundred thousand dollars to one million dollars each, and if we are proposing to build under the supervision of a shipping board, subject to naval necessities, the cost may be as high as a million and a quarter dollars.

Therefore we cannot figure to get more than fifty, or sixty, or seventy ships at the utmost.

Now, gentlemen, can you tell me that such number of vessels, even if secured under this bill, is going to relieve the present situation and afford a safeguard to our commerce in future? Why, it will not be a flea-bite as against our real needs.

It is proposed to lease or the Government will operate these ships, and the Secretary tells us he requires a mobile fleet as well, a fleet which can be sent to the West Coast to protect our timber interests, or to the South to do likewise, or again to the Southern ports to take cotton if necessary, thus giving us relief from foreign domination. Gentlemen, this cannot be done. We would have to go to Congress again next year and frankly say, "We have made a mistake. We do not want sixty millions of dollars—except for last year—we now want one hundred millions more for 1917," and this would be an endless process.

Of course, if the American Congress will give sufficient money yearly to continue a program of building or acquiring ships we will eventually build up a great fleet, but I do not believe the American public will be willing to stand back of such a plan.

Perhaps, as has been suggested by the gentlemen present, the administration might change. I hope not, of course, but the Secretary might go out of office. Then someone else might have a different policy, and no ships at all would be obtained. Gentlemen, it will not do to depend on sixty or seventy vessels. We require today ten or twenty times fifty, or sixty, or seventy ships. (Applause.)

The Secretary proposes to establish a shipping board. I join with him. On the shipping board, however, he advocates placing the Secretary of the Navy and the Secretary of Commerce, both splendid men, and our friend says he has eliminated himself. I would rather have the Secretary there than I would either of the other two gentlemen, because neither of the others has shown a decided inclination to build up American shipping, and he has, but I believe it would be best to have a non-partisan board, and that it is wise to keep politics out. Five or seven well-versed business citizens will be best—men who have had proper training in shipping methods—two members of the Cabinet on a board would probably regulate it.

Under this plan a policy inaugurated by a shipping board would be carried out without reference to an incoming administration.

That, of course, is a minor detail, but at the same time it is worthy of thought.

There are other things with which the business men of the country thoroughly agree with Mr. McAdoo, and it is satisfactory to state that he has shown an inclination to meet this issue fairly as far as possible.

The Secretary proposes to establish lines to Brazil, Uruguay, Argentine Republic, Colombia, Ecuador, Peru, Chile, to the Orient, touching at Honolulu, and to Japan, China and the Philippine Islands—also presumably to Australia, New Zealand, South Africa and India, the necessity of communication to these last named places being equally great. Such lines would absorb practically the entire number of steamers to be built.

There is a presumption that the Shipping Board to be established might have authority to lease ships, but I do not under-

stand that this means the leasing of such further vessels as may be demanded by our commercial needs, and that such unlimited power is to be given to the Board, but rather that the proposal intends merely the leasing of the ships which are built under the appropriation.

The Question of Government Control

The statement is made that by creating a corporation under government control to handle shipping required, the government is not really in the shipping business, but a statement of that kind will not for a moment deceive anyone, nor will the people fail to realize that the appropriation of their money under such a plan is a pure subsidy, and the worst kind of a subsidy, only justified, if at all, as a temporary measure based on war requirements.

The question of permanent and continual operation by the government is the main point at issue, and one which the administration should promptly forego in the interest of our commerce, to the end that this matter might be treated as a non-partisan question, and through a conference of all interests a wise measure might be promptly passed by Congress, so that immediate action of some kind could be taken.

To discuss at length all these points today is impossible, but briefly I might state that the public undoubtedly concur in the view we should have promptly the necessary vessels to coöperate with the Navy department. All agree that immediate action is essential. We concur in the statement that American lines handled by American citizens should be established to all the markets named.

We fully agree that American dependence upon foreign ships should, so far as possible, be eliminated. We endorse the statement that American merchants should have rates and service as good as if not better than those afforded by other countries to their merchants.

A Federal license for all lines running regularly in the deep sea trade would go far to accomplish the purpose of regulation; and it is only just that alien lines that enjoy the privileges of our ports should be amenable to American law.

We fully agree that the board should adopt methods to have American seamen trained on our commercial vessels, and that these men should be placed on a naval reserve list, at proper compensation.

I fully concur with Secretary McAdoo that we should have the courage to go ahead; but it is a grave question whether the plan as outlined has been given that consideration and care which warrants our being as optimistic as the Administration seems to be.

It is important to know what the people of the country wish. A year ago, desiring to find this out the Chamber of Commerce of the United States of America decided to place the matter before their constituent bodies in the form of a referendum. I had the fortune, or misfortune, to be Chairman of the Merchant Marine Committee, which was composed of gentlemen from different parts of the country, and we presented a report last February to the Chamber.

There was considerable discussion. Secretary McAdoo at that time made a very able address from his standpoint. The referendum included Secretary McAdoo's speech, Congressman Burton's speech and the Committee's report. Some 700 or 800 votes were cast representing over 300 of the leading commercial organizations of the country, and I believe 39 States reported on the proposition.

It is impossible to give the full details here, but the judgment of the business men was as follows:

550 votes were cast in favor and 189 against the government granting subsidies to American ship-owners to offset the difference in cost between operation of vessels under the American flag and operation in the same deep sea trades under foreign flags.

713 votes were in favor and only 52 votes opposed subventions by the government to establish regular mail and freight lines under the American flag to countries in which the commercial interests of the United States are important, and to American dependencies.

639 votes in favor as against 113 votes in opposition to the creation of a Federal Shipping Board, to investigate and report to Congress regarding the navigation laws and to have full jurisdiction under the law in all matters pertaining to oversea transportation.

692 votes were in favor, 58 votes opposed to, the ocean mail law of 1891 being amended by lowering the speed for first-class steamers from 20 to 16 knots, and for second-class steamers from 16 to 12 knots, and to make the compensation adequate to permit the establishment of lines of steamships carrying our mail and freight. You will take special note that, in case Congress

should make the reduction in speed, the vote was emphatic that the compensation by the shipping board to be named should be such as to create the mail and freight lines desired, that is, the country was willing to pay out any sum that was essential, and did not limit the payment to the compensation of \$4 and \$2 outward under the Act.

By a vote of 601 in favor to 133 opposed it was considered desirable to abolish deferred rebates and to provide for supervision of rates by the Federal Shipping Board, with the requirements for filing with the Board schedules of rates and all agreements among over-sea lines. This was a most decisive vote, and should convince our lawmakers that the people of this country desire proper and fair regulation of rates in their interest by a Shipping Board.

The vote was 610 in favor to 120 opposed to the committee's recommendation that Federal license should be taken out by all lines, domestic or foreign, engaged in shipping between the ports of the United States and other countries.

More decisive still, however, showing clearly the feeling of the country, was the ballot regarding the government's propositions, and 690 votes were opposed as against 89 votes favoring the purchase, construction or charter of vessels for mercantile purposes combined with operation, by the government, of such vessels.

713 votes were cast opposing and 51 votes only in favor of ownership of merchant vessels by the government, even if said vessels were operated by private parties under leases.

There was also a proposition to create a marine company, acting under the supervision of the Shipping Board, to loan money on mortgages on vessels. The vote was 416 in favor, 314 opposed. As this, however, was not a two-thirds majority, the United States Chamber of Commerce was not committed to advocate such a proposition.

I think the people of this country know to a large extent what they do want, and I believe they are better judges of the situation than two, three or four men, no matter how powerful they may be at the moment in administering the affairs of this country, and that the people's voice should be listened to, and that they should have some say as to the settlement of this question.

So great has been the advance in cost of vessels, and so great is the demand for ships, that at present our yards are unable to take further contracts inside of eighteen months, which

means the ships would not be turned out for two and a half to three years.

One hundred dollars a ton is being asked to build ships as against sixty before the war. The same condition prevails in England today, and this serious position must also be faced.

Under these conditions American merchants are hardly justified in buying or building to any appreciable extent, as they fully realize that so soon as the war is over the situation will gradually change, and their ships will rapidly depreciate in value.

Therefore, I fully agree with Secretary McAdoo and am willing to become his champion and believe that the shipping board should be given not sixty millions of dollars, but a larger amount to buy or build, because by so doing we will secure quicker results. The Government loss may be substantial, but the American people are willing that that loss should be made.

Let the administration meet the merchants half way. Do not let them be pigheaded, if we are not stubborn.

All that has to be done, in my opinion, to meet this situation to satisfy you, gentlemen, and the business world, is to have a proper committee decide this question, and the Government should give way on one point, and that is permanent Government control and operation.

Then let the Government, having secured the ships at the best price possible, establish the lines desired for our benefit.

Let the steamers be leased at a small annual percentage on the cost of purchase or building, and a reasonable amount for amortization.

The lines once established then allow the contractors to add to the lines as trade demands with vessels purchased or built by the contractor, and allow the Government to grant a judicious and wise subvention yearly for carrying our mails and overcoming the extra cost of operation under the American flag, the amount to be agreed upon between the board and the contractor.

When the leases run out Government vessels to be rehire or the Government can take them over for naval requirements, or they can be sold.

Under such a system I agree largely with Government plans, excepting Government operation, and I would personally even be willing to meet the administration, if it is not possible to start the lines by leasing, and allow operation, the period, however, to be limited to not more than two years after the war in Europe is ended, the vessels then to be sold or taken over by the Govern-

ment, thus automatically closing their interest in the shipping business.

Besides these lines we must have the large essential fleet of tramp steamers desired. The Government bill does not provide for their creation. I am satisfied that it would be the part of wisdom to give the shipping board complete and absolute authority, if merchants will be willing to build ships under plans and terms agreed upon, to pay reasonable compensation yearly to owners operating in the deep-sea trade, the period of payment to be limited to not exceeding twelve to fifteen years. This would equalize cost of operation, and the vessels to be always subject to Government call.

Therefore, I say let us merchants take the hand of the Government if they are willing to have their hand taken, and coöperate with them through a proper committee to the end that we can unite on measures which will bring results, and stop quarreling, because, gentlemen, if you allow Congress to quarrel over this question all next winter no one knows when we will secure that protection of our commercial interests which we are all so anxious to have. (Applause.)

MR. BAKER: May I ask Mr. Douglas one or two questions, Mr. Chairman?

THE CHAIRMAN: Certainly.

MR. DOUGLAS: I will be very pleased to answer. I have, however, already spoken longer than I intended.

MR. BAKER: First, if I may say so, I think you did a great injustice, without knowing the full circumstances with regard to the preparation of legislation in August, 1914, when the emergency bill, so-called Ship Registry bill, was considered. Were you present at that meeting?

MR. DOUGLAS: In Washington, in August, 1914, at the Willard Hotel? I was.

MR. BAKER: You remember, then, very well, the committee that was appointed?

MR. DOUGLAS: Yes.

MR. BAKER: Composed of the President of the United States Steel Corporation, Mr. Franklin and Captain Dollar and, I think, Mr. Curlin, of New York, was our counsel, and myself.

MR. DOUGLAS: Yes.

MR. BAKER: Days and nights were devoted to that—many nights. Mr. Franklin was a very busy man, and also the President of the United States Steel Corporation, Mr. Farrell, had

to go away, and left it, I think, mainly to Captain Dollar and myself. During the course of that time a question was brought up as to whether private capital could be secured under any circumstances. A representative of the largest financial interest in this country was sent down there, and the statement was positively made that it was impossible under any circumstances, under those conditions, to secure private capital. Am I right?

MR. DOUGLAS: I presume you are, Mr. Baker.

MR. BAKER: Then came the question as to what they proposed. It was suggested by them that if the United States Government would endorse bonds—and the statement was made that they had nineteen Senators with them—for the purpose of buying the interned German ships it could be done, and it was the only thing they proposed. What would have been the result today if we had bought them?

MR. DOUGLAS: You ask me?

MR. BAKER: Yes.

MR. DOUGLAS: I think that those ships could have been secured at the beginning of the war without any trouble to this country whatever.

MR. BAKER: With the United States' money?

MR. DOUGLAS: With the United States' money; if we had gone to the English Government and represented to them that these ships would be used solely and entirely for mercantile purposes to ports of the world where their interest would in no wise have been affected. It is true, possibly the German Government would not have sold, but they might have been willing, and in such case the amount of payment could have been held in escrow during the pendency of the war. Naturally, however, this discussion is simply theoretical.

MR. BAKER: Yes.

MR. DOUGLAS: So that I do not know whether you or I are right or wrong.

MR. BAKER: Now, second: You spoke of only eleven knots' speed of the vessel in the South American trade. You know that there is on record in testimony before Congress where they have three very large ships of sixteen knots—

MR. DOUGLAS: The Lamport & Holt people, I think, claim that they have sixteen knot ships. They may have one or two, according to my judgment, with the surface of the sea as quiet as the floor of this room, that will steam fourteen knots. I do not think they can do better than that, though I may be mistaken.

MR. BAKER: You have had long experience in the steamship business and you know the conditions.

MR. DOUGLAS: I only know they claim they have several vessels of that sort.

MR. BAKER: One other question. You spoke of this bill and what it proposed. Do you know just exactly what was proposed in this bill?

MR. DOUGLAS: I only know what Secretary McAdoo says in his Indianapolis speech.

MR. BAKER: Oh, yes.

MR. DOUGLAS: Of course, I have tried to get the bill that now is going to Congress, but there seems to be great secrecy attached to it and precautions taken so that it cannot be obtained at the present time.

MR. BAKER: While I have no authority for saying so, except my own opinion, I do say that I think you will be thoroughly satisfied with it.

MR. DOUGLAS: I have tried to meet the Secretary on everything but one or two issues, and I hope he will meet me on these.

There should be immediate hearings in Washington. The most influential commercial bodies of the country should be asked to attend, and proper plans laid down on wise and conservative, yet liberal basis, to place as quickly as possible the American flag on a sufficient number of American owned steamers to handle a reasonable percentage of American commerce.

Under no circumstances should we allow Congress to waste a further six months in discussion, and finally pass no legislation whatever. Time is too precious and the opportunity too great to tolerate anything of this character.

MR. COWLES: May I ask Mr. Baker a question, Mr. Chairman, please?

THE CHAIRMAN: I think we ought to go on with the program, if you please. These questions can come up during the general discussion later. We will now go on to the question of the five-minute discussions, and I beg of you, gentlemen, as I call you, to try to confine yourselves to the five minutes. I will drop the gavel at the end of five minutes, and I ask that you do not encroach beyond that time, so that all who desire to speak may have an opportunity to do so.

First, I will call on Mr. C. L. Chandler, Agent of the Freight Traffic Department of the Southern Railway Company and a group of other railways.

MR. CHANDLER: Mr. Chairman and gentlemen: This is the National Association of Manufacturers. The South is just as much in the nation as the Island of Manhattan. The Island of Manhattan and the United States happen not to be synonymous.

We have in the South just as much interest in export trade and export business as any part of the country. We welcome the inspiration of the great commercial houses which for over three hundred years have been leading the way here. But I call your attention to Charleston—Charleston, where we have just spent, where my railroad has just spent, \$600,000 in the construction of the largest coal export terminal in the United States. Charleston at one time, I remind you, had a greater export business than New York. Remember that! Remember that the work which my office is doing is significant, is worthy of note. We are trying to have the South come into its own.

We have got 20,000 persons studying the Spanish language in the South. A railroad, a soulless corporation, an undesirable citizen is doing that educational work. It is doing that great work which no one else will do. We have 20,000 persons studying Spanish and 1,000 persons studying Portuguese down there. That is what has been accomplished under the system that we have down there.

I have gone, personally, to over three hundred firms down there that have not been exporting, and have tried to get them to do that exporting business. When Pedro Gomez wants to buy something in the United States and John Smith makes anything that they want down there in South America, we try to bring them into direct contact with each other, as directly as we possibly can.

There are steamship lines going from Mobile, which is also on the map, as well as New York and Philadelphia and other places. Steamship lines are going down from there directly to Argentina.

There is business from North Carolina which was started 100 years ago that is going down there, and from the other southern cities.

We have heard this afternoon Mr. Dixon giving an able talk about certain phases of the public service of the railroads, and of the Pennsylvania Railroad in particular; but there is another and broader public service which the railroad systems that I have been working for were the first in this country to initiate, and that is to go after the exporter directly and tell

him what to do, to tell him to do it, and to tell him how to do it.

Chattanooga! Chattanooga has the only export committee in the country—the chairman is here—that meets twice a week. It has a Manufacturers' Association that is alert and up to date. Chattanooga, the first city in the United States to begin exporting within ten years after it was founded, the only city in the United States with three different firms exporting plows.

We are working there in the South. We have got more children studying Spanish in Chattanooga than in Worcester, Massachusetts, with 200,000 people and not a single child studying it. In Chattanooga we have 175 children studying Spanish.

Remember the South is on the map.

Brunswick, Georgia, with 10,000 people, has 150 children studying Spanish in the high schools, when there are places in New Jersey with 100,000 people and not one single child studying that language. Don't forget the South.

The Southern Railway serves the South, also the Mobile & Ohio.

The Southern Railway, the Queen & Crescent route and the Mobile & Ohio Railroad are all trying to develop the South and to put it on the map. The Southern Railway embraces within its limits the oldest railroad in the United States.

Remember that the South is just as much a part of the United States as any other part of the United States that has been represented here today.

I have no more time left. I merely wanted to emphasize that feature of the public activities of the railroads, and of the cities and of the people of the South. (Laughter and applause.)

THE CHAIRMAN: And he comes from New England, too! (Laughter.)

We will next hear from P. H. W. Ross, President of the National Marine League of the United States.

MR. ROSS: Mr. Chairman and Gentlemen of the Convention: We have had some very lively little speeches here today. It would be impossible for me either to maintain the heat of argument or to uphold the declarations that we have heard from our Southern friend and also from others.

There are some things, however, that we cannot be all the time shouting to high heaven. Sometimes we have to think

quietly (laughter), and sometimes we have to analyze the reasons that have led us to make our conclusions. So that I shall occupy my five minutes in that endeavor.

Mr. Baker has called attention to the terrible congestion existing in all our ports, due to the absence of the necessary tonnage in our foreign trade to properly give our farmers, cotton planters, lumbermen, manufacturers and merchants the facilities needed for the transport of American products to the ultimate consumers thereof.

The general traffic agent of one of our great railroads told me yesterday that there were 44,000 cars tied up between Buffalo and New York! Bad as that is, conditions on the Pacific Coast are even worse. Wheat is being sent from Portland, Oregon, to New York for export. With the Pacific Ocean practically lapping their front doorsteps wheat shippers have to send their cargoes 3,232 miles inland, during which journey these cargoes are lifted up into the air and down again some 30,000 feet, in transit across mountain ranges, in order to reach tide-water once more. But that is as far as they go—blocked again on the Atlantic Coast! As a consequence of the railroad blockade, due to stoppage of exports, transportation of food and commodities from our "Granger" states to their own home markets is violently dislocated. As a result the valuable fruits of the Northwest and in fact perishable foodstuffs of all kinds are rotting on the farms for lack of transportation even to neighboring states.

Well may the New York *Times* say that "America is menaced by a ship shortage."

I believe that this deplorable state of affairs is chiefly due to a certain economic fallacy that has possessed the minds of many of our best and most conscientious citizens. So deep rooted is this conviction that it is really an act of mental self-abnegation on their part to relinquish it. I refer to the oft quoted dicta that "it is better to let the foreigner do our ocean carrying because he can do it cheaper than we can ourselves, and that we can employ our money to better advantage in other ways." Another is that "we need not worry about the freight, the foreigner pays the freight on all exports."

The greatest danger in these arguments lies in the fact that they are partly true. Unfortunately the promoters of these doctrines do not allow for the change in conditions that have robbed

them of application to existing American affairs. National life is growth and growth is change.

A thing of comparatively small and only relative goodness must always be abandoned when replaced by a thing of very great and all-inclusive goodness.

Granted that it is good, as one form of economy, to let others perform services for us on the high seas which they can do cheaper than we can, at present, is it not true that a far *greater* benefit accrues to us *in having the control of the ocean transportation of our products in our own hands?*

The temporary and immediately visible cost of Americans doing their own ocean carrying may seem greater, but the real, the far-reaching and ultimate loss in a thousand directions to the whole body economic of America is a thousandfold greater if we do not.

Therefore, no matter how great the sacrifice may seem to be at the outset, we *must* set our maritime house in order forthwith if we are to save ourselves from the most serious stoppage of our national development.

It is a great mistake to imagine that the foreigner pays our export freight bills. He did once upon a time, to a certain extent, when he needed something that no other nation could supply. He does it still to a limited extent under stress of very abnormal conditions, on certain exceptional classes of exports, but never *when any other nation has the same sort of thing to sell that we want to sell*, and never will he again in the normal future, because we are now selling the same kind of things that he can buy elsewhere.

Old theories, old beliefs die hard, because they are old, but chiefly because the proponents of static theories, as a rule, do not allow for the constant flux and change in trade conditions that every year brings in its train.

Let us take the case of any man in any business who has something to sell; your own case. If your competitor offered to deliver your goods to your customers, and you knew that he also was selling much the same line of goods to the same people, would you let him do it?

Instinctively you wouldn't, even if you had the highest respect for your competitor. You would know that it was asking too much of human nature to expect such wholesale altruism of your competitor, knowing moreover that *he* stood in a fiduciary

relation to *his* stockholders or co-venturers and that his first duty was to *them*, on all points of the trading game. You would decline his offer and do your own delivery, because you know it was the only thing to be done.

Well, it is just this *instinctive impulse of self-help in maritime transportation* that we must implant and develop throughout all of industrial America, especially in the states of the interior.

Perhaps in thus addressing an International Trade Conference it may seem that I am concerned too much with the purely American point of view. Being heart and soul American and nothing else, I cannot avoid that stand.

But the same principles apply to all nations having latent maritime possibilities and not making the fullest possible use of them.

It was Bismarck who said of Germany: "The merchant marine service is the handmaid of all other industries, and of agriculture, manufactures and commerce. *On the day when the freight trade is given over to foreigners a mortal blow will be dealt to all the industries of the country.*"

Countless generations of Englishmen have applied this principle to the development of British commerce, and in conclusion it may be said of any nation in any part of the world, whose industrial growth has reached the stage of exporting necessity, that if provision is not made for more or less national independence in the matter of ocean transportation, that nation will always be the commercial servitor of other nations which have attained this power.

Gentlemen, I thank you. (Applause.)

THE CHAIRMAN: We will next hear from Captain William P. White, Treasurer of the Lowell Paper Corporation, of Lowell, Mass.

CAPTAIN WHITE: The title of "Captain" which the chairman has applied to me perhaps requires a word of explanation. I will say, therefore, that I am a naval officer on the retired list. I have been five years in business, however, and I am not talking now from the naval officer's standpoint entirely, but from the business man's standpoint.

In the first place, Mr. Baker, in his paper, made a statement regarding the passage of the so-called La Follette bill, and said

that there were no opposing voices in the Senate when it was passed.

I think Senator Gallinger has recently explained why there were no opposing voices.

The next thing is the title of the bill: "A Naval Reserve Marine."

Mr. Douglas is quite right. What the navy wants is not what the merchant wants. I know, because it was one of my duties to inspect merchant vessels, and I was an officer on the *Yosemite* when she was in the employ of the Government. I know what a merchant ship is like, and I know what a man-o'-war is like, and I know what they each require. You cannot fit them in.

We made a purchase of a lot of derelicts before the Spanish-American war, because we could not get anything else. And when you go into the market for necessities you take what you can get, and you pay what the other fellow asks you to pay for them, or else you don't get them. That is the reason for the deterioration, the enormous depreciation of our material.

It is the question of the Government going into business. And I do not believe in the Government going into business. That is not what government is for. The Government is to make laws so that business men can do business, and appoint boards so that the laws will be executed. They have no business in business.

When the board that is to be appointed is to determine what the oversea rate is for freight, they are out of their bailiwick. They do not belong there. They cannot do it. It is an economic question.

The reason we have not had a merchant marine, and the reason why our merchant marine died, was simply due to various economic causes. One of them is a question of taxation. Another one is a question of the labor that is employed on the ships, the regulation by Congress of the labor that is employed, and the condition of labor on American ships, which is different from the conditions of labor on foreign ships, although the laborer himself is, in 99 cases out of 100, identical.

If you will read the story of the United Fruit Company's ships that sailed between New York and Boston and the West Indies you will find that they transferred their ships from the American flag to the Norwegian flag because they could get identically the same men to do the work at less wages. They will not work on the American ship at the same wages. There are cer-

tain requirements, and they can get them, and those requirements are not controlled by economic conditions. They are controlled by a labor union condition. Those people who know about the labor union conditions on the Pacific Coast know what those labor union conditions mean, and that those labor union conditions will be established in this board, if we undertake to start our American commerce by this board under the present laws.

An economic condition and a competitive condition we have to meet in various ways. There is no question now but that the American flag has passed from the Pacific Ocean, and the Japanese are firmly established there, and that when we go to get our ships back on the Pacific Ocean we will have to do something more than we did before. We shall have to do one of two things. We have either got to give the vessels a subvention, or we have got to tax the material that comes in the Japanese vessels to our ports.

As between trade that comes to our ports from Japan we cannot make taxation of that kind. But just as soon as the Japanese vessels bring freight from China or from the Philippine Islands then we are perfectly justified in putting on a discriminatory tax, and the Japanese can do exactly as we do, and we will get a share outside of Japan of the trade that is in the Pacific.

That same condition obtains in other parts of the world.

We are perfectly justified in taxing material that comes in English ships from French ports, or from Dutch ports, and giving the benefit to our shipping; but we are not justified in hiring ships or paying ships to carry freight to England in competition with English ships that are established in the same business. There is an economic condition that cannot be overcome by subvention, without paying enormously for it; and that our people will not do. (Applause.)

THE CHAIRMAN: I will next call upon Mr. W. I. Young, Vice-President of the International Traders', Limited.

He does not seem to be here.

Mr. A. E. Nettleton, Syracuse, New York?

He does not respond.

Gentlemen, I will open this discussion now, to the meeting at large, for five minutes to each speaker.

MR. ALEXANDER R. SMITH: I should like to ask Mr. Baker a question, if I may be allowed to do so.

THE CHAIRMAN: Certainly.

MR. ALEXANDER R. SMITH: Mr. Baker has said that in the foreign trade the American flag has disappeared from the Pacific. I ask if he recalls the Spreckels Line, running from San Francisco to New Zealand and Australia. That line is a line of three steamships, American built steamships. This was the line that put an additional ship on the route since the Seamen's Act went into effect. We have three American built steamships running across the Pacific, and there is not a newspaper in the United States today that seems willing to mention that fact. So that the American flag has not disappeared from the Pacific in foreign trade. Mr. Baker, will you agree with that?

MR. BAKER: I agree. I acknowledge my error there. It is a fact that the Spreckels Line has three quite old boats remodeled, in operation under the Mail Contract Act of 1891.

MR. ALEXANDER R. SMITH: Regarding that, those ships employ American seamen. The agent of that line here told me that it was easy to get American seamen if they would pay the wages. Rather than pay the wages people prefer the Chinese, and not any longer being able to employ the Chinese the American ships have disappeared from the Pacific; and I hope they will never go back on the Pacific employing Chinese.

MR. BAKER: I hope so, too.

MR. QUINN: With regard to this matter it is quite true that the Spreckels Line is running from San Francisco to Sydney. It is not correct that they are running to New Zealand.

MR. ALEXANDER R. SMITH: I beg your pardon. I thought they were.

MR. QUINN: The itinerary is Honolulu, Pago Pago and Sydney.

There is another line, however, which was perhaps confused with the Spreckels Line, the Union Steamship Company, a New Zealand concern, which does run from San Francisco to Tahiti, New Zealand and Sydney.

I explained today that we have three services going from the Pacific Coast to Australia and returning, and we have not a single service that goes from New York to Australia and return.

I was rather amazed to find, speaking of the gentleman who represented Mr. McAdoo, Mr. Woolley, who outlined the ports to which it was proposed to send the Administration ships, if they should ever materialize, that he did not mention Australia; that no mention was made of Australia.

MR. WOOLLEY: I beg your pardon; I did mention Australia.

MR. QUINN: Excuse me, then. I was sitting back here quite away, and I did not hear that.

In the list of countries mentioned by Mr. Douglas in his remarks, however, I think Australia was not mentioned; simply South America.

MR. WOOLLEY: I would like to say here that the trade to Australia since the war started has increased 60 per cent.

MR. QUINN: Yes; I delivered an address here this morning in which I mentioned the fact that Australia was not only one of your good markets, but was in the way of becoming one of your best markets.

MR. WOOLLEY: I am sorry to say that I was not here to hear you.

MR. QUINN: I would like also to point out this fact: this American steamship line, the Spreckels Line, was running under a special postal subsidy from the United States Government, of \$2 a mile. That may account to some extent for their being in that trade, but not altogether.

The fact is that they are running to Australia in competition with Australian lines, because of this fact: the Australian seamen and the conditions under which the Australian works are on an equality with those exacted by the United States Government; and that is the reason they are able to compete, and that is the reason why, as I said today, the trade with Australia is worth your cultivation, because the people of Australia are able to pay the price for your products, and the people of the Orient are not able to pay it.

DR. SNOWDEN: Just one other thing about this line of steamers running to Australia that might be of interest, and that is the fact that a few years ago these ships were taken off the Australasian service, I think on account of the difficulties in earnings; and later on they were converted into oil-burning ships, so that the force of men used on one of the steamers, it has come to my attention, was decreased from 55 or 60 to 7. It requires only 7 men to take care of the stoking part of the ship on the oil-burning system, so that a large part of the labor difficulty was thus overcome.

MR. COWLES: I would like to ask Mr. Baker a question if I may, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. COWLES: Is it not a fact that if the thirty millions proposed by the government bill last year had been invested, as I understand it was intended, it should have been invested in the bonds of the International Mercantile Marine Company, we would have had one of the best fleets upon the ocean at a merely nominal price.

MR. BAKER: It is; provided they could have been acquired; but that it was agreed to be done, no. That it could have been, yes. That would have given us an enormous fleet under the American flag at certainly the very lowest cost.

MR. COWLES: Yes.

MR. BAKER: At the very lowest cost per gross ton register, at which a steamship line always values its property—at the lowest price ever known in the history of the world.

MR. COWLES: If that deal had been put through that fleet would probably have been brought under our ownership and management?

MR. BAKER: Yes.

MR. ALEXANDER R. SMITH: I will ask Mr. Baker if he does not know that it is a fact that the British Government reserves the right in the British Board of Trade, that those vessels shall remain under the British flag until it consents to their going under another flag?

MR. BAKER: They did not at that time.

MR. ALEXANDER R. SMITH: That was exactly the contract executed with the line thereafter, when Mr. Morgan purchased the ships—

MR. BAKER: No; I signed that contract.

MR. ALEXANDER R. SMITH: That proviso was that the vessels were not to depart from the British flag unless the British Board of Trade consented.

MR. BAKER: That applied to four steamers only.

MR. COWLES: And were those ships not American owned ships?

MR. BAKER: They were American owned ships.

MR. COWLES: Absolutely.

MR. BAKER: Owned by an American company incorporated under the laws of the State of New Jersey.

MR. COWLES: And they could have been brought under the American flag if that proposition I mentioned had been carried through. They could have been put under the American flag

and used by the American people if Senator Weeks had not prevented its consummation.

MR. BAKER: An exactly similar condition prevailed as to all ships that were transferred owned by the United States Steel Corporation, the Standard Oil Company, the United Fruit Company, which were owned by companies in foreign countries, in most cases controlling interests.

MR. COWLES: Exactly.

MR. EWELL: I would like to say just a few words to the gentlemen present. This is a commercial organization, and I know as merchants you gentlemen are all looking for something to take hold of this question that will take care of it under the present practice. Everybody wants to see this matter taken out of politics, if possible. There has only been just one proposition offered within the last year that can be possibly put through, and that is the proposition backed by the Government. (Applause.)

What we want is the movement of the enormous amount of freight that is now congesting the centers with over 40,000 carloads that cannot be moved. What we want is the means to take care of that crisis. No private capital can do it. No private capital will do it. There was also the proposition suggested by our friend, Mr. Douglas, this afternoon, that it be turned over in the first instance to private enterprise—although he finally did come to the Secretary's solution of the situation, which is the real one, that you cannot meet this question without the assistance of the Government and with private capital, without putting up a subsidy of \$25,000,000. France has had to give \$13,600,000; Great Britain, \$9,689,000 subsidy, and they are capable of manning, building and operating ships for 40 per cent. less than the United States can do it; so how in the name of heaven can you get sensible business men to talk on that proposition?

The only solution of it is the Government, with capital behind it, that can go ahead and either buy or build ships in sufficient numbers to handle the proposition, which I consider the greatest crisis that has ever confronted the American people.

CAPTAIN WHITE: I would like to beg consideration for just a moment.

The building of ships to relieve the present crisis is not practicable. The crisis will be over before the ships are built. The only possible solution by which ships can be obtained for

immediate use is the purchase of ships that are interned in our harbors. If the Government of the United States purchases the German ships that are in our ports it will seriously imperil our relations with the allied governments.

MR. EWELL: That is all moonshine. It cannot be done.

CAPTAIN WHITE: Or else they will violate international law and take the consequences later.

THE CHAIRMAN: Gentlemen, I desire to make an announcement of the meeting this evening which will be entirely informal, but I am sure will be interesting, in the matter of credits abroad, foreign credits; also that the chair will be occupied tomorrow, during both sessions, by Theodore C. Search of Philadelphia. Mr. Search was President of the National Association of Manufacturers from 1896 to 1902, and it was during his administration that the foreign trade work of the Association was inaugurated.

Gentlemen, the floor is still open for discussion.

It is evident that the discussion has been concluded, and the meeting stands adjourned.

Before you go I want to announce that Consul-General Sammons, of Shanghai, will be present at times during the sessions of this Conference, and will be very glad indeed to meet gentlemen here and give them any information that they wish to have regarding that part of the world.

(Whereupon, at 5:45 o'clock p.m. a recess was taken until 8:15 o'clock p.m.)

THIRD SESSION

Monday Evening, December 6, 1915

The Conference was called to order at 8:15 o'clock P.M., Mr. J. H. Tregoe (Secretary of the National Association of Credit Men, New York) in the chair.

THE CHAIRMAN: Gentlemen, as this a conference we hope to make it absolutely informal. It is a very difficult matter, with such a large number of conferees, to mellow it as we should like to, but if everyone will just consider that he is a unit of the conference, with absolute liberty to speak, to question, to comment, we will use the time very profitably; and that is what we want to do tonight.

I feel that most of us here are anxious for education upon this rising topic of interest, foreign credits.

I have not hesitated, gentlemen, in presenting ideas and thoughts upon the credit problem to say that the great question before the world is credit.

In the crises of the world's history various questions have been prominent, but now the great question is credit.

We have developed domestic credits in a very systematic fashion, yet we have not wrought a science so that all commercial credit granters are feeling the influence of and are controlled by certain established rules. That education, however, is advancing, and now arises in our economy, brought about by the force of circumstances, this great question of foreign credit—an unscratched surface; and we are here tonight by the force of our individual thought and ideas to help to blaze the way.

Those are the only remarks I intend to make in opening this conference. But, gentlemen, will you feel the power of this thought? Will you yield yourselves to it? And do not hesitate as the idea comes to you, as you are led by the spirit, perchance, to say your say.

We have adopted tonight no definite program, but we are going to study this subject from three different angles which we will announce a little later.

In a meeting so large as this we must be very, very orderly; we must be systematic.

I feel that the first pleasure devolving upon me is to present him who has out of his experience and out of his own mind largely wrought this International Trade Conference. We should like very much to have a few words from the Secretary, Mr. Benney. (Applause.)

MR. BENNEY: Gentlemen, as the Chairman has told you, this is a very informal meeting and I do not know of anyone that has prepared a set address or speech.

We are here representing not only the National Association of Manufacturers but other organizations which are deeply interested in this subject, to afford you information, to answer questions truly and frankly and also, I think, to correct impressions which I fear some of our writers on export trade subjects have erroneously given—that it is very difficult to get information on the reliability of foreign business houses. That, I think, is a very wrong impression.

It may not be quite so easy in all countries to get informa-

tion on foreign houses as it is to get similar information in the United States, but if you will take a little pains, a little trouble, and if you are willing to go to a reasonable expense, you can get with very little, comparatively small, expense all the information you need to trade successfully and freely with the majority of established business houses in every country of the commercial world.

If it is thought that there are no sources of information open to you, or you are not acquainted with them, you have in the first place two very large organizations, commercial agencies, which have not only a national reputation but a world-wide reputation. I do not know how many years they have been established in the business, but before I was born—and I was born a good many years ago.

You have, in addition to those agencies, organizations which are not established for commercial profit but simply for providing you with information on a mutual basis. One of them was born in Philadelphia; the other was bred there: the Philadelphia Commercial Museum and the National Association of Manufacturers. Both of them have, for about twenty years, been securing and giving information on foreign business houses the world over, and that service has been developed from year to year, and I think now, so far as the National Association of Manufacturers is concerned, we can guarantee to supply you with reliable reports on firms in any commercial city of the civilized world, and, to some extent in so-called barbaric countries.

As to the means of getting those reports—there is no secret about it—we use in our work the banks, agencies with which we are affiliated, special correspondents, business men, lawyers, statements which the foreign houses themselves will give to us very freely when they would not give them to their neighbors, and the testimony of trade connections at home and abroad of the firms inquired about. In this work there is among the members of the National Association of Manufacturers a very cordial spirit of coöperation and willingness to afford information regarding foreign customers which, to me, in some cases is surprising as well as gratifying.

In these ways we are able to give and furnish information which has been the means of many firms establishing themselves in foreign trade and in other cases of developing that trade for those already started therein.

I do not wish to make any set address. We are here to answer questions and give information, freely and frankly. Thank you. (Applause.)

THE CHAIRMAN: Gentlemen, not as an item on our program at all, but one of those happy little affairs which I think we can always introduce even into an informal conference: I think we should see the gentleman whom some of you saw today, who is President of the National Association of Manufacturers. I think we should do him a little honor tonight, because it is under the auspices of that Association that this Conference has been held.

May I take the pleasure and privilege of introducing to you Colonel George Pope, President of the National Association of Manufacturers. (Applause.)

MR. POPE: Mr. Chairman and gentlemen: After I have been before you all day it does not seem quite proper for the Chairman in the evening to trot me out again. I do not know why he did not begin with my predecessors, presidents of the Association, two of whom are present here this evening. They go further back into the history of the Association than I do, and could tell you more about it.

I want to say that I am extremely gratified, as all the officers of the National Association of Manufacturers are today, with the success of the first day of this Conference.

There have been some very valuable and instructive papers read here today. Undoubtedly, many of you who are here this evening heard them. I am particularly gratified, I wish to say, with the attendance here this evening; for I thought very probably after an all-day session the attendance might be a little thin tonight. I think, however, it is greater than it has been at any time during today. And I am sure that the discussion here tonight on the subject of Foreign Credits will prove instructive and interesting to all who are here.

I congratulate those of the National Association of Manufacturers, and particularly the Secretary of the meetings, who is largely responsible for the success of this Conference, on the attendance here and the interest that has been manifested.

Mr. Chairman and gentlemen, I thank you. (Applause.)

THE CHAIRMAN: The President of the Association evidenced very clearly that he had not before fallen within the autocracy of the Chairman of the evening. It is only an indication of what some of you may expect unless you pipe up very quickly; because we do not intend that any of the precious moments of this Con-

ference shall be lost. I have some of you spotted, and you need not be surprised, if there is any pause, should I call on you. We are going to have this absolutely informal. Before we proceed to the announcement of the topics there is a gentleman who came in while Colonel Pope was talking, whom I want to introduce to you for just a few words of greeting, because of his great interest in this foreign credits work.

I take great pleasure in presenting to you Mr. Gonzales, of the Foreign Trade Department of the National Association of Manufacturers.

MR. GONZALES: What do you want me to say?

THE CHAIRMAN: Anything you please, just so you say it in a brief time. (Laughter.)

MR. GONZALES: But the subject, if you please?

THE CHAIRMAN: We are not on any subject yet. You are to present your greetings and tell these gentlemen how glad you are, how pleased you are. (Laughter.)

MR. GONZALES: I cannot say that. I cannot find words to fully express it. (Laughter.)

We have under discussion the means of securing foreign information about credits. You will pardon me if I start off by saying that the National Association of Manufacturers has, I would say, the best equipped system for furnishing credit information about every country in the world. We have eighteen hundred correspondents, through whom we secure information about the standing, the morality, and so forth, of the merchants and institutions all over the world. We have been doing that for a period of twenty years, and we are very happy to say that we do not know of anybody who has lost money through misinformation secured through us.

Of course, as you know, everybody is expected to make mistakes, and we depend on the information we get, on the opinion, more than anything else, of the people of other countries.

I, however, do not attach a great deal of importance to that, because the means a man has is of very much less value than what that man is worth himself. I have known people with very little resources who were much better than the people who had a great deal of money. I have never seen the sense of limiting the credit of a man to so many hundred or so many thousand dollars. I never knew why a man was good for \$2,500 and not for \$2,600; and I never believed that the limitation of credit of

a man should be other than his own common sense; because I classify the people in the world into three classes: the honest people, the crooks, and something worse than the crook, that is, the honest fool (laughter), the man that buys more than he can dispose of, the man that does not know his business, in fact, the man who is a fool. He does not lose money because he is dishonest, but simply because he is a fool; and your money is just as much in danger of being lost with him as if you were dealing with a man of bad faith. In every country of the world you have the three classes, and since the war started the character of the people has remained unchanged. The people who would pay before the war are paying now. There has been no reason whatever to change our attitude in respect to those people. Those people who cannot pay, or who think they cannot pay, they will not buy, but the man who buys and who is honest is worth any amount of money, now as before the war. The moratoriums declared in almost every country, the high rates of exchange, or the lack of exchange in many countries have not prevented the good people from paying. I never saw the sense of the excuse that because the rate of exchange was high a man should delay payments. If the rate of exchange is high, the price of the goods is higher, and the merchant does not make the loss; it is the public who make the loss, and this earthquake, as somebody described it this morning, this economic earthquake that the war has brought about, has served to establish discrimination between the good people and the bad people. All those merchants who were in a weak financial situation have gone to pieces, and those people who are subsisting today and are good, are good for any amount of money.

I believe that the question of most importance at this time, not only in this country but all over the world, is the matter of credit. But I had reserved speaking about this until tomorrow, and if I say it now I will not have anything to say tomorrow. (Laughter.) So you will excuse me, Mr. Chairman, if I cut my remarks short at this point. (Laughter and applause.)

THE CHAIRMAN: I really thought we were in for a long speech. (Laughter.)

Now, gentlemen, those are all of the felicitations we are going to indulge in tonight, because the time is passing and we want to get down to our real work. We want to get down to the true inwardness of this question. We have divided it into three

subjects, and will you note, please, so that we shall talk to each subject, and not overlap or confuse, just what those subjects are.

The first is the character of information that is necessary and desirable in the extension of foreign credits.

The second is the means for assembling that information.

The third is coöperation between foreign credit granters.

There may be subdivisions under those three general topics, but I feel if we talk to those tonight and confine our thoughts and our expressions to them systematically that we shall have performed a very distinct forward work in our exposition of this subject, in reaching certain safe anchorages in the foreign field.

Now, gentlemen, the first subject is the character of information that is desirable and necessary in the extension of foreign credits.

The Conference is open, so speak quickly, speak briefly, and announce your name as you rise to your feet.

This first topic is one of interest to the credit man and also the sales manager may have a word to say on it—the export sales manager. Let us get at it very quickly.

I do not want to call on anyone.

MR. F. S. PHILLIPS (of the American Ever-Ready Works, Long Island City, New York):

I am rising as the first one, to be the goat. What I want to present is in the form of a question, and probably a question which is in the minds of most of us who are here tonight.

The kind of information—the credit man and our system of securing credit information, it seems to me, look first to the financial statement. A man wants credit. The first thing, as far as my knowledge goes, which is limited on credit matters, is: "What is his situation? How much money has he got?" and the rest of it. That, you will find, presumably, in a financial statement.

It is well enough in this country. We can secure it. We can ask for it. We can write for it. We can demand it, and we can get it in every case where a man is entitled to credit consideration.

In foreign countries, however, particularly in the Latin-American countries, in which I am primarily interested, it is almost an impossible thing to get a financial statement unless that business man has been in contact with the American ways of doing business, and then he will realize why such a statement is

wanted; but the Latin-American character, so far as my limited knowledge of that goes, is such that it is taken as an offense when the requisite questions are asked with which to make up a financial statement. He cannot understand why we want to pry into his personal affairs.

If we must have that financial statement, which seems at least on the surface to be essential, how are we going to get it? How are we going to secure it? If his frame of mind, if the customs of the Latin-American countries, particularly, are such that you cannot, without offense, ask for that financial statement, what is the first, the prime essential unit of information which we must ask for, which we must secure in place of that? Do I make my thought clear? Do I present my thought clearly, Mr. Chairman?

THE CHAIRMAN: I think so. I think we understand it; that is something to talk about now. I would like to ask those present who have lived among the foreign merchants, who are native of foreign countries, to speak, and tell us something about the characteristics of those countries, the elements which enter into safety of credit risks in those countries, as differing from the elements which enter into the safety of our domestic credits.

Who is the next gentlemen who will speak? Let us get ahead just as quickly as we can.

MR. MONTT: I have lived in South America for nineteen years. I find that credit information is very hard to secure, as Mr. Phillips said a moment ago. I find, however, that by carrying on a campaign in the proper way and pointing out to the South Americans diplomatically the benefits which are to be derived from giving out credit information, they will give it and we can get it just as satisfactorily as we can in this country. The point is this: In this country we secure credit statements, financial statements, and if these are false, it is a criminal act. The man that gives out a false statement is liable to imprisonment. The laws in South America do not have any penalty for the man that gives out a false statement, and if they do, the process of getting redress against such man is so long and tedious that I would say in ninety-nine cases out of a hundred the merchant would rather let it go.

I find, however, that by writing to these men that are doing business in South America—I have done a little bit of this for the clients of our organization—and explaining the matter to them

in a sort of a diplomatic way, appealing to their sense of fair dealing, telling them, "now, if you were dealing with an unknown concern, you would like to know something about it, and perhaps this is what you would like to know," better results are secured; and I have made up a set of questions in which I ask the man how long his store has been founded, how long he has been in business, and so on, just to get him started to answer those questions, and have had very satisfactory results.

As I say again, the point is whether that man will be truthful in his information. We can check him up by going to his bank—and that is another of the questions I ask him: "Where do you put your money? Which are the banks where you deposit your money?"

As Mr. Phillips said, the South American merchant usually considers it an insult for anybody to come and ask him how much he is good for. But it seems to me that much of this information can be secured in the American way. The agencies that secure credit information usually send a man down there who is imbued with the American spirit, and perhaps he does not get at the man in the proper way. I do not believe the information as to character and morals is very good. Sometimes that information leads to wrong conclusions.

I told the Chicago Association of Credit Men a little incident that happened to come to my knowledge regarding a firm in Buenos Aires.

A manufacturer of certain machinery wanted credit information about a firm in Buenos Aires which was run by two partners. One of the credit information bureaus sent resident American agents to Buenos Aires to get the information. The man in the office when told of the purpose of his errand felt offended, and, as he said to me, he was pretty nearly kicked out of the office.

Now, this man had made the acquaintance of the bookkeeper of the concern, and that man advised him to go and make a social call on the other partner that evening and get the information in that way.

So this American representative put on his dress clothes and went to the house of the other partner that night, and he said that when he rang the bell he heard an awful screaming inside the house. He rang the bell and a very excited looking woman came to the door. He asked her if the master of the house was in and if he could be seen. She said, "Yes, he is in, but he can-

not be seen. At the present time he is beating his wife." (Laughter.) That man, disgusted with the morning's experience, and more disgusted with the night's experience, sent a report to this country saying that a concern run by men of such low morals and character could not be reliable. I found out about this concern, however, and I know that they are reliable. I know they would not go back on a bill, if they had to part with their shirts to pay it. But I presume that this man that was beating his wife had another standard of morals. (Laughter.)

In South America we have a very common saying that a wife is like a cocktail, the more you beat it the better. Therefore, I suppose this man was doing the beating in the consciousness that he was doing a good thing. (Laughter.)

I am telling this story to point out one thing, and that is that we cannot judge the South American customer or the South American merchant by American standards, and, as Mr. Gonzales said, we will have to rely more on the opinions of the neighbors and the merchants that have dealt with the man before; and it seems to me that it would be a mighty good thing for this Conference to standardize the statements that are to be given out by the South American merchants so that we can tell definitely and in a reliable way their backing or their business and so on.

I do not know whether I have taken more than my five minutes or not, but that is the point I wanted to bring out.

THE CHAIRMAN: That has been very interesting, because it has brought out one point that we wanted to make prominent here. We wanted to arrive at the standard, so that we can judge foreign credits properly, because we do not believe that our own standards will be the safe guides in all cases. That is what we wanted to bring out in the Conference, with a view to helping us ascertain what steps should be taken to meet these problems.

I have a card from a gentleman who desires to say a few words, but my Welsh tongue will not permit me to pronounce his name. Therefore, I will say that the gentleman whose name is on this card which I have here desires to say a few words.

BARON JACQUES DE NEUFLIZE (of Paris, France): My name is Jacques de Neufelize.

THE CHAIRMAN: Now, wouldn't I have had a fine time trying to pronounce that? (Laughter.) I know when I strike a snag. (Laughter.)

BARON DE NEUFLIZE: I am sorry to have a name which is so difficult to pronounce. Next time I will try to have it mended a little.

You will perhaps excuse me for saying a few words, and make allowances for my English, because I have not prepared any set statement. I simply desire to say that I am very much interested in this question of information, because I have very frequently seen misunderstandings arise between my American friends and the people of whom they were seeking information. You have your customs here and other countries have other customs. In the New York way, or the American way, you have a very good plan of asking your information. You ask everything about a man. You ask his age, how much money he has got, and if he has all his teeth. (Laughter.) When you have got that information from reliable sources, or if you have a signed statement of the man, and you believe that the man giving the signed statement is reliable, it is all right.

There are countries, however, where different methods are required, and most of the European countries are in this category—most of the South American countries, and even my own, who are Latins, too, or so we call ourselves, though, perhaps, through a greater contact with our Anglo-Saxon friends, our skin is not quite so delicate. But there are many of the questions which are everyday incidents of the American plan of securing a financial statement to which the people of other nations are not accustomed. I know very many very good firms in other countries who, when they are asked to furnish a statement in your own way, will say that it is really too indiscreet; that you ask too much, and they refuse to give it. If they are no good, they will give it, but then you cannot rely very much on their statements. (Laughter.)

What I wanted to say is this: In order to secure correct and accurate information in regard to a prospective customer or a merchant in a foreign country, you must first try to get at the standard of the country with which you are dealing. There are places where a man with a fortune of \$25,000 or \$5,000 is good, if he does a small business and is honest, and elsewhere he is not. So that you must find out what is the average capital used in the business; and especially, if you go to little countries, try to find out the comparative standing of the man. The man who is the first in his country is generally good, even if, according to our ideas, he may not seem very good; because, being the first,

he will have his reputation to sustain, and will have the confidence of his own people, even if the others do not.

It must be realized also that the element of politeness is of great importance in certain countries. You will find politeness even in statements issued by one man on another, so that that is an item that must not be overlooked. In our plain way of talking, we may perhaps say, in answer to an inquiry: "Better not do business," or something of that kind; something very plain. In other places that kind of a report would not be acceptable, because it is not polite. They feel that you should understand their manners and customs in doing business.

I have been much in South America and in countries where I have received fine receptions. Sometimes my friend will say to me, "My house is yours." That is just politeness. They mean it in a polite way. You will find the same principles in the statements of information. Do not believe, simply because you have information as to the proper methods to be applied in one country, that they will apply uniformly to all. Look at the place itself, and try to get a few points of comparison and see if, by making use of these points of comparison, you cannot get an accurate statement, and a very fair knowledge of what you really want to know, that is, the standing and responsibility of the man with whom you are to deal, and your chance of being repaid, and what he has got. (Applause.)

THE CHAIRMAN: I think I must say in your behalf that that was perfectly splendid. We thank our friends from abroad for having spoken to us so directly upon the subject. It is warming up now. Who is the next speaker on this subject?

MR. SOSNAWSKI: I can beat the name of the last speaker. My name is Sosnawski. (Laughter.)

I come from Warsaw, Russian Poland, that country of great hospitality, where we are receiving the Russians with open arms, and then the Austrians and Germans—so hospitable that we have no houses for ourselves now, neither anything to eat.

Coming down to the trade situation, however; if you want to sell to somebody you must go into trade. You must have some kind of an organization to look after this trade. I think the Germans are the best traders, because they are willing to go into the trade.

Take Poland and Russia, for example. They have their own organization to look after the possibilities of creating trade there. They did not satisfy themselves by what the merchant said about

himself, or whether the merchant beat his wife or not. They just got the information through their system of agencies. I think if the American manufacturers want these foreign markets they must work for them on the same lines as the Germans have used in developing their foreign trade.

Different countries require different credits. In Russia we are accustomed to up to nine months' credit, and even a year. The Germans granted that because they had information that they could do it.

Another thing that I would like to bring to your attention. The best trade is always in undeveloped countries. If you have undeveloped country you have not too much civilization. If you have not much civilization you must put the civilization in this country. That is for you to do.

Of course, you cannot just trust anybody else except yourself. (Laughter.)

As far as the length of credit is concerned, it all depends on the interest you charge. Of course the Germans know they are not so liberal as to give something for nothing. It is also your business to make such prices that you can compete, and that you can grant the credit which the country requires.

I beg your pardon for my limited English. I think that is all I wanted to say. (Applause.)

THE CHAIRMAN: Perhaps there is another gentleman with an unpronounceable name who would like to be heard now. Who is the next one?

MR. BROWN: Mr. Chairman, my name is Brown. (Laughter.) I am Secretary of the American Chamber of Commerce for the Levant, with headquarters in Constantinople.

We are new in this game of credits, but we are beginning it, and we believe that we can give a good service to the American manufacturers along this line.

I can appreciate what the gentlemen who spoke just before me said. If you want information, you must get it yourself.

I know that it would be very difficult for us to get information on firms located in Constantinople and in other parts of the Levant if we take the information given us by the different nationalities there. If you are getting information through a Greek source, naturally this source will give information which is favorable to the Greeks. And the same would be true of the Armenians and the other races of peoples there.

There are a great many ways of getting information. I should say, however, in general, that the morality of a firm located there in the near east is perhaps of more importance than the actual amount of money that the firm may have in the bank.

If a man has good credit, good moral standing in the community and with the bank, he can get the money to take up the goods when they arrive, or to pay for the goods after he has received them; but if he does not have the moral character, he, of course, may not take up the goods. Also the relative standing of firms is very important.

The larger percentage of the business there is done through general importers who, many of them, do not have a very large capital. Many of the firms, however, have been established by their forefathers and when once they have got a good reputation they like to hold on to it. Those old reliable houses care a great deal for their reputations. Although it may mean that they do not have, compared with American firms, a very large capital, yet they are just as good and just as honest as the American firms.

I know that it has been considered that this section of the world is a little bit dangerous, and in the past American firms have sent out goods just as orders come in on credit and have often been stung; but there are a great many reliable firms located in Constantinople and in Greece and in Egypt and in Bulgaria and Roumania, Servia and the other parts of that section.

At the same time we look over his place of business, we get acquainted with the men, we try to size them up, and we also get their business standing with the banks. But we often get in touch with an American who has been out there as a school teacher or a missionary, maybe for one or two generations, and we have those correspondents located in different parts of Turkey, also in Egypt and Bulgaria, and sometimes through them we are able to get a line on the reliable merchants in the city, which is extremely valuable.

During the last few months I have been visiting cities in America, in the South, in the East and in the West. I have been talking to firms who have been dealing with firms there in the Levant, and I have made a note of the experiences they have had with the merchants over there.

We intend in the future to be able to refer the American manufacturer or exporter to American firms with whom these people have been dealing in the past.

When I first came to New York I went around to a number of the firms here in New York and got them to tell me what had been their experience with this, that and the other firm located in Constantinople, in Greece, or Turkey and so on, and made a note of these things, so that afterwards, when I had occasion to give out these names, I could say, "These people are agents of the American Cotton Oil Company, and have been for the last ten years, or eight years or seven years," or whatever it might be, or somebody else might have been doing business with the Corn Products Refining Company or with some agricultural implement people. Then you can write them here in America, and can also verify any information you may have on them.

Of course firms are not started so quickly out there as they are in America, as a usual thing. They grow up gradually, and a firm that is not well known cannot, of course, be trusted like an old established house.

We are intending to form a branch in New York, where we will have copies of our reports as they are gathered, and put them on file in our New York office, so that a firm that may have a letter from a firm located in the Levant, without having to write to that side and wait six weeks or two months for a reply, can get a reply right here in this country, perhaps, if you are in New York, within a day, or if you are outside of New York within a very few days. And we, of the American Chamber of Commerce, will be very glad to have any coöperation and be glad to coöperate also with any firms in the United States in collecting the reports on the standing of firms located in the near East. We believe that we should do it, as a gentleman has said, ourselves. In order to get information that is reliable, we must do it ourselves.

Some of the banks out there, of course, pay their men good salaries for collecting ratings. The bank we deal with does, but many of them pay small salaries, and the man who writes up the firms will take a little baksheesh and write up a good report on most any firm. For that reason you cannot at all times rely on these reports.

We shall be glad to coöperate with you and to have your support in making this service really worth while to the American manufacturer and exporter wishing to do business with the countries of the near East. (Applause.)

THE CHAIRMAN: Mr. Brown, will you answer this question, which I think perhaps is in the minds of some of us: In the

information that you would deem necessary in reporting upon a merchant in the Levant, what would you dwell specifically upon—the moral features or the financial features? What are the standards, in other words? Could you give us a sketch of the character of a report that you would yourself prepare upon a worthy merchant in that country? How would you word it, now?

MR. BROWN: Well, of course, the history of the firm is very important.

THE CHAIRMAN: You would start with a biographical sketch, would you?

MR. BROWN: Yes.

THE CHAIRMAN: That is first. Now, what would you take next?

MR. BROWN: Perhaps the merchants with whom he has been dealing in America or in other countries. That, of course, would come into a biographical sketch of the firm.

THE CHAIRMAN: Well, now, what would you take next?

MR. BROWN: You might take his credit, his standing in the bank, the capital that he is supposed to have. I do not know, just offhand, whether those would be logically the methods we would use or not.

THE CHAIRMAN: How would you speak of the moral risk? How would you dwell upon that? I know this is taking you unawares, but I think this is what we would call clinical work. (Laughter.) We want to see what kind of a report you would write on a merchant there. How about the moral risk?

MR. BROWN: Well, of course, it depends largely upon the firm. There are well-known firms in every city. There are a number of firms that are, so to speak, unquestionably good. We consider that they are unquestionably good and that they intend to do business, as we say, on the level altogether. If a firm is well known like that, of course, that should be stated to begin with.

THE CHAIRMAN: What authorities would you use upon which to predicate your report that the concern was thought to be good? Whom would you consult?

MR. BROWN: Well, if there was a firm in Constantinople that had been there for some time and was well acquainted, I would consult them. I would get a personal opinion, perhaps, from other Americans who had been there a long while; or, if any Americans were in business there, I would get their opinion. Also, we have friends in banks whom we would consult as to

their standing. Naturally, I would consult the consul or the consul-general and ask for his personal opinion—not officially at all.

THE CHAIRMAN: In sizing up your report, in making your final sizing up in the report, do you depend more upon the moral or financial features as to the desirability and safety of that risk?

MR. BROWN: I would depend more upon the moral features. With any firm out there I would consider that more important. Of course, they would have to have a certain commercial and financial standing.

There was an old British firm in Constantinople that I worked with that had collected reports for a number of years, and through personal connection with them I had access to their records on firms, which gave a history of a great many of the leading firms in Constantinople.

THE CHAIRMAN: Is there anyone that wants to ask Mr. Brown a question before he sits down, because he is right off the firing line. Is there anyone who wants to ask him a question?

MR. PARMELEE: Is it possible to obtain the annual turn-over of the merchants?

THE CHAIRMAN: The number of times they turn over their stock a year?

MR. PARMELEE: Yes.

MR. BROWN: In the case of some of them in Constantinople that would be pretty hard. Most of them live on the turn-over.

MR. PARMELEE: I asked that question for the purpose of bringing before the Conference what would be the prime considerations of the credit basis. The first, is to obtain the annual turn-over of the merchant, and whether he pays his bills promptly. It does not matter so much what the capital of the concern is if the credit he is asking is in proportion to his annual turn-over and if he meets his bills promptly. If that is so the merchant is in good standing the world over.

THE CHAIRMAN: You feel that that is a standard—a world-wide standard?

MR. PARMELEE: A world-wide standard.

I might say further that the Chinese or English banks in China have a habit of asking the Chinese merchant what his turn-over has been for the previous year and grant him an extension of 25 per cent. for the coming year if he desires it.

THE CHAIRMAN: That is a very good thought. Thank you. Is there anyone else who wishes to ask Mr. Brown a question before he sits down?

MR. BARTLETT (of the Commercial Museum, Philadelphia): May I ask one question, suggested by the question just raised? I think a very important one is the matter of turn-over. My question is this: We frequently have inquiries from foreign firms, agents sometimes, and sometimes dealers who wish to make connections with American manufacturers, and the question is this: Shall we quote to that firm which makes this inquiry our lowest price, or shall we not?

Frequently we hear from the foreign firm the criticism: "You have quoted your lowest price to all the firms in this territory, and consequently we have no possibility of selling because everybody in this territory knows what the price is that you have quoted."

Too often the time comes when the American manufacturer quotes a price, his lowest export price, simply because the inquiry comes to him under a foreign postage stamp.

But why should he not first find out whether this firm is an agent is a dealer, is a wholesale distributor, or is a retailer?

The first thing that we should take into consideration, it seems to me, is to find out what that merchant desires to do, and then to quote him.

THE CHAIRMAN: Pardon me, Mr. Bartlett, we are not on the sales question. We are on the credit question. Let us keep on the credit question.

MR. BARTLETT: I will get back to the credit question.

The kind of information we want is, I think, not only what the firm can do in the way of paying for the goods, but also what the firm can do in the way of selling the goods when they get them. It is not only or altogether a moral issue; it is not altogether a financial issue; but it is also a selling proposition. I think that it is quite important, in the case of selling goods to a foreign firm, to find what it can do in the way of handling the products that we have put into their hands. We must know not only what the absolute credit standing is of that firm, its financial standing, but we must know, also, what its selling ability amounts to. I think that is quite as important as the absolute financial risk. (Applause.)

THE CHAIRMAN: Now, gentlemen, we have time for two more, because we have two other topics. I believe we could

spend the whole evening on this topic. Let us hold to our topics. We are indulgent. We are not supposed to be autocratic, and I want everybody to have a chance to discuss these questions. I want everybody to have an opportunity to have his say.

MR. BRILL: I have happened to be for twenty years a commercial traveler in South America and other foreign countries. and can give my personal experience.

I have found, in my time, that in obtaining or getting credit the same principle applies in foreign countries as in this country. It merely differs in the application of the principle—how to get at it.

As Mr. de Neuflize said, it is the way of getting it a little more diplomatically. If I want to find out how much business a man does, if I were in his store, I would say to him, in an off-hand manner: "You do about \$150,000 worth of business, I suppose?" Naturally he would say: "Well, about that, more or less, or not so much."

If I wanted to find out about his stock, I would say: "I see you have a nice stock of goods here, about \$40,000 or \$50,000?" talking about something else in the meantime, and I would then say, "What does it inventory—\$40,000, about?" And he would say, "About \$25,000, more or less." You will come very close to getting the information in that way. And the same way as to insurance. The first principle is to find out that the man carries insurance and how much. Find out how much business he does and how he pays his bills. After finding out from him, to see whether he tells the truth, I generally go to the clerk afterwards and say to him: "You do a nice business. You sold about four or five hundred dollars' worth today? Is that your best day or is it not?" "Well," he will say, "our average is about so much." You can get almost any kind of information you want just the same as you can in this country if you go at it in the right way. You can find out from him how much business he does. You can find out how much insurance he carries. You can find out how much he owes. We have just as good organizations in foreign countries today as we have in our country.

The first consideration must be to formulate your plan. Tell your men: "This is what we want." State the information which you get in this country and instruct your men to get the same in foreign lands, and you will get it if they go at it in the right way. Diplomatically. You cannot go to these firms

as you do to firms here, and say: "Show me your statement." But if you go to them in a nice polite way, they will show it to you, and in Latin America the people will do just the same, if you approach them in a proper manner.

As far as finding out the standing of another firm is concerned, I used to make a special point of finding out what the nationality of the partners was. It is a very important point from my experience. You will find that the credit men will bear me out that it is an important point even in this country. If a man is an Assyrian, he would be judged differently from an Englishman, an Italian, a Frenchman, a Latin-American or their descendants. We have the same criterion in this country.

We find in the case of the Latin-American—we find that the Latin race is especially—I am more familiar with the Latin-American people—that their moral standing—this is no reflection on the American people—is far superior, financially I mean, so far as paying their bills is concerned, to the average American business man. They generally pay their bills when they agree to. They try to make the best bargain they can, and they live up to it.

While I am talking about payment, I want to take issue with Mr. Gonzales; he said people paid and that exchange is no factor. Exchange is a factor. You cannot expect a man when the condition of exchange is as it was last year in Brazil, when exchange dropped from fifteen to ten or eleven pence—you could not expect a man to pay his bills the same as in ordinary conditions. The man had his money, but he said, "I am willing to pay you for thirty or sixty days' interest, but give me a chance to pay: exchange is bound to improve." But they paid.

I happened to be in Para when exchange was about eleven pence, and 80 per cent. of the drafts presented were taken up by business men taking a heavy loss in exchange.

When I was in Rio I took this up, because we heard so much about conditions here and there, and about the extreme caution to be exercised, and so forth. I took it up with a man and I said: "What do you mean by saying this?" He said: "Well, that is a general statement." I said: "You must not judge by generalities, but by the actual facts of each line separately." I saw a friend of mine in Rio de Janeiro, a man who knows, and I said to him: "Here are so-and-so and so-and-so; how many losses did we have in those branches of the business?" And he said: "None, fortunately." I asked him how much trouble he has or had to obtain information, statements, and so forth, and

he said: "None. We try to have men who know how to handle the business.

So that I maintain that it is all a question of what you want, and of going about it in the proper way to get that information.

I am not speaking from the standpoint of a novice, but from the point of view of the American business man. If you formulate your plans and say you want the same kind of information as in this country, that you want to know how much business the man does, how much he is worth, how much insurance he carries, how he pays his bills, how much stock he has got on hand, and how much he owes, I do not believe that any business man, be it in the Levant, be it in France or in Germany, in England or in Brazil or in Argentina or in Chile or anywhere else, I do not believe that any business man will refuse to give it to you if you approach him in the right spirit.

That is all I have to say.

THE CHAIRMAN: We can have a little more clinical work, gentlemen. Here is another representative right from the firing-line. Are there any questions that any of you desire to ask him?

MR. PHILLIPS: I would like to ask this gentleman to tell me: We can get that information if we know how to do it. To get it in that way it seems to me we would have to go to the man. We cannot go and ask the man. What is the intermediate source through which to secure the information?

THE CHAIRMAN: Do not get on the second topic.

MR. BRILL: I will answer the gentleman, if you will permit me.

THE CHAIRMAN: Yes; but do not confuse the issue.

MR. BRILL: Most of those European houses rely on the information they obtain from their salesmen, their representatives. Those who have no representatives have to rely on the ordinary channels that we have—the mercantile agencies or organizations.

THE CHAIRMAN: Let me ask you a question. As an experienced investigator you are going to look up the credit standing of a Latin-American.

MR. BRILL: Yes.

THE CHAIRMAN: What information will you aim to get?

MR. BRILL: I just mentioned, first the amount of business he does yearly.

THE CHAIRMAN: The amount of business he does? All right. What next?

MR. BRILL: Second, how much capital he has; how much he owes; how much stock he carries; how much outstanding; how much insurance, how much his expenses are per year.

THE CHAIRMAN: How about the moral features?

MR. BRILL: The moral feature is naturally taken into consideration. I mentioned that at the beginning. It is the same everywhere—it makes no difference where it is.

The first principle of credit is confidence, honesty. I have had men worth a hundred and fifty thousand dollars who owed twenty-five thousand dollars and I have turned them down. On the other hand, I have had a man worth twenty thousand dollars who owed seven thousand dollars, and I have given him a nice line of credit.

THE CHAIRMAN: What constitute the moral features of a Latin-American risk? We understand confidence, and so forth. What constitute the features of a Latin-American risk?

MR. BRILL: The moral feature of a Latin-American in business is that he pays his bills when he agrees to.

I want to mention one thing. One gentleman said that it is hard to get a man to sign a statement; that if obtained, it is worthless. He is wrong; positively wrong.

I believe that the laws in foreign countries, especially Latin America, protect the foreigner much more than our laws protect us in our own country.

I will go further, if you will permit me. I can say this: During all my travel, for twenty-six years, I did not accept an order except with the signature of the purchaser. A signed order is a contract; the merchant cannot refuse the merchandise except for very good reasons, according to the laws of most countries, because it is a binding contract. When I get a statement from a man, to make it official, or rather to make it binding, I sometimes have it certified by a notary public, and sworn to; if false I can proceed quickly to punish him. I believe it has been stated here tonight that it would take years of litigation to do it. That certainly is not the fact. Anyone who is acquainted with the laws will bear me out that a merchant in Latin America who accepts a draft and does not pay it on presentation, that is sufficient ground for closing up his business without much loss of time.

I had a case in one foreign country. The National Association of Manufacturers handled it for me through their intermediate agents, and I made a bet, I think it was with Mr. Wolfe,

that the man who lost the suit would also pay the lawyer's fees. I wish that we had the same law in this country, many suits would be settled out of court. In many foreign countries commercial cases are not tried by a judge, but also by business men, business men alone acting as advisors to the judge; and decided upon according to conditions, and on business principles.

I do not know what else you want to know about the moral feature.

THE CHAIRMAN: I think you have answered that question.

MR. BRILL: All right.

THE CHAIRMAN: If you were investigating a Syrian merchant, what information would you seek—just right quickly?

MR. BRILL: Go ahead.

THE CHAIRMAN: You said you would distinguish between the two merchants?

MR. BRILL: Yes.

THE CHAIRMAN: What would you seek in the case of a Syrian merchant?

MR. BRILL: In the case of the Syrian I would be governed by exactly how much money he has got. I would probably see that he has got 75 to 25; 75 per cent. assets to 25 per cent. liabilities; whereas I will give my Latin American 50-50. Does that answer it?

THE CHAIRMAN: I want you to pardon me for conducting this quiz; but I have often said that I ought to have been a school teacher rather than a credit man. I have brought those things out for your information, because I think they bear very directly upon the question.

MR. BRILL: I am glad to answer any questions you want to ask me.

THE CHAIRMAN: You have differentiated, and have said that in the Latin-American countries you would give 50-50, but with the Syrian he must have 3 to 1; it must be 75 to 25, in the common parlance. I think that answers all that I had in mind. Is there anyone else who desires to ask any questions of Mr. Brill? If not, we thank you very much.

MR. BENNEY: I want to emphasize what Mr. Brill has said about getting information and how to get it. The experience of our Credits Bureau investigators bears out Mr. Brill's statements. I endorse everything he said on that subject.

THE CHAIRMAN: Gentlemen, we have occupied a great deal of time on this question. We have the two other subjects to con-

sider. Shall we hear from someone else or shall we sum up this?

A young lady in attendance who is an export manager for one house has sent up a question that she would like me to propound to Mr. Brown. "Mr. Brown stated that he could obtain information from American consuls. Is this true, and if so, how?" (Laughter.)

Just a moment. I do not think it was right for me to read that question, do you? I think that young lady has a part here just as much as you or I, and I hope she will come in and take her place here, and that she will be willing to repeat that question. (Applause.)

MISS LIGGETT (of French & Ward, New York): I notice that Mr. Brown stated he would go to a consul and obtain information in regard to firms in Constantinople and other places. I have always understood it was impossible for American consuls to give information in regard to firms, to give their names. Is this true? I do not know. I just wanted to be put right in regard to the matter.

THE CHAIRMAN: Mr. Brown, it is up to you.

MR. BROWN: In the outset I said I was a beginner in this work. I did not expect that I would be asked questions. However, I said in regard to this that I would get a personal opinion from the consul. I know very well that the consul cannot make any recommendations at all, but as a personal friend I may get information from a personal friend, to be used confidentially in that way.

THE CHAIRMAN: Now, Miss Liggett, that that question has been answered, it looks like an inside affair for Mr. Brown. I was going to say this, that if the American consul could see you as we see you tonight he would answer any inquiry that you might make of him. (Laughter and applause.)

Now, gentlemen, it is three minutes to ten o'clock. I know some of you have got to go out on the Erie. I do not think we could spend perhaps more than an hour longer. We have two other subjects. This has been to me intensely interesting. The question is, shall we talk for a few minutes longer along this line, or shall we size up what we have done here tonight? This is certainly a kindergarten, and it seems to me we will have to do a little stirring up to see where we stand. Does anyone want to say a word or two before we finish with this subject?

MR. MAY: I have just returned from a trip through Central and South America and only want to say a few words. I find that most desirable firms there—and only desirable firms are the ones we want to do business with—have been in business for a long time and have a history. These firms are only too glad to give you any reasonable information regarding their standing, and, furthermore, will refer you to either European or American houses with whom they have been doing business. It is very easy to get this information from the houses here or in Europe, and we can readily find whether the Latin-American houses have been paying their bills promptly, whether they are chicaners in their methods of doing business, whether they take advantage of deliveries, which are a few days late, to claim a reduction of prices—in short, whether they are above board or not.

What I mean to convey is: In doing business with foreign countries we should not apply the standard of our home methods to procure information regarding the standing of people we want to do business with. Houses in Latin-American countries doing business here or in Europe with good houses and having done so for a number of years and having always paid their bills promptly, are in my opinion good enough, and I can judge their business responsibility from the information gathered in this way.

I would like to call your attention to another fact: The science of failure has not been developed in Central and South American countries to that high and fine degree that it has been developed here. A man who fails once, or is not very prompt in his payments will have placed against his name a black mark that shuts off his credit not only from here but also from Europe. Therefore, as a rule, merchants meet their bills very much more promptly than the average merchant in this country. That has been my experience, and I can speak with confidence.

THE CHAIRMAN: Thank you very much.

MR. BERGMAN (of Pass & Seymour, Inc., Solvay, N. Y.): Before we pass along to the next subject, Mr. Chairman, I would like to say a word along the literal sense of this one: "Character of credit information needed in credit reports." A number of concerns doing an export business probably have their own little schemes for obtaining personal and direct information on a concern or people with whom they wish to do business, but most of us, particularly the beginners, have to depend upon the customary public sources for information. I find, and I think it has been

the experience of a number of other concerns that most of these reports dwell too largely upon the moral question; about the importance of the firm's local standing or of the personnel of its officers; but we do not give anything tangible on which to establish a proper line of credit or fix a limit. I am confident that these institutions who sell credit information, can greatly improve the quality of their reports if they would follow more closely the American idea of reducing the reports to figures such as assets, liabilities, net financial worth, volume of business, etc.

THE CHAIRMAN: Thank you.

Now, gentlemen, we must discontinue this part with just a little summing up. Let me see if I can consolidate this very briefly, for us to carry away, as a result of this part of the evening, as concerns the desirable and necessary information: That the credit man of this country must know something as concerns the conditions, social, local, financial, of the districts in which he sells, because there are different standards in our own country, as the credit man knows; so in foreign credits, he must acquaint himself with the standards of the country in which he sells his goods. Is that right?

SEVERAL DELEGATES: Yes.

THE CHAIRMAN: Is there any objection to that statement?

SEVERAL DELEGATES: No.

THE CHAIRMAN: Is that right?

SEVERAL DELEGATES: Yes.

THE CHAIRMAN: The second point is that there is a variance as regards the getting of information, but there seems to be a consensus of opinion that the make-up or construction of information on foreign credits will comprise three features:

First, what we call the moral feature.

Second, the financial feature.

Third, the paying feature. Am I right? Is there any exception to that? Is that the result of our conference so far?

MR. WYMAN (of The Carter's Ink Company): I think one of the speakers brought out a point which has not been developed, and that is the insurance feature; that is, the importance of a merchant insuring his merchandise. I think that should be added to the moral feature.

THE CHAIRMAN: That is just what we want. You add to it, gentlemen. I am only stating these things tentatively that we have developed so far. We have the moral feature, which

comprises the history or the record of the merchant, the time he has been in business. We have the financial feature, which is his capital, the amount he is owing, his turn-over in stock. We have his method of paying, and we have the insurance feature. What else shall we add to that? If there is no exception, that is what we want, gentlemen, in foreign credits.

MR. BRILL: Won't you add the character of the man, the nationality of the man?

THE CHAIRMAN: That is the moral feature. We call that the record, the time that he has been in business, how he is considered by his neighbors, and references and so forth; that is the moral quality. That is what we want. The belief is that in some countries that is difficult to get. Some others say we can get it if we go after it. Therefore, education is in place, and there should be no hesitation upon the part of the commercial credit granter to foreign countries to ask that which he feels it is necessary to get; and when he asks it, he helps the educational propaganda. That is right, is it not?

Has that sized up our first part in this Conference? Are we going to carry that away with us and have spines in this work?

One of the greatest disadvantages in domestic credits is what we call the spineless credit man, the man who hesitates to go after what he feels he needs, and to ask that which is due him. So, in foreign credits, we want to develop men with spines, who will help along this propaganda to put this great nation of ours where she ought to be among the trading nations of the world.

Now, gentlemen, we are coming to the second part of this program, and we will devote just thirty minutes to the consideration of each part.

The next question is the Means of Assembling the Information. We have here representatives of various channels for assembling this information, and we want them to tell us just how it is done, and just what they are doing. Let us get at it very quickly. Who will be the first speaker?

BARON DE NEUFLIZE: As to the way of securing foreign credit reports, I think a foreigner is entitled to give an idea, especially when nobody is ready to go before the Conference at this, apparently.

I would say the best way of securing information in regard to foreign credit is to go and look for it yourself. Everybody should go and look for himself, about the people he wants to know about; because when he asks, he can ask in two ways:

either of the people who deal with the man, or of the information agencies. Information agencies give information which is very valuable, but which is impersonal. For example, they say a firm is good for \$50,000. If they issue a statement to a hundred people, and a hundred people give \$50,000 credit, the man is perhaps no good for \$5,000,000. (Laughter.)

When you come to ask somebody who deals with the man, you must not forget that the man who has collected the information through his cleverness and his work has something of value, which has required the expenditure of time and energy and judgment on his part, and that he will not always be willing to part with it, unless he has some consideration for it. He will part with it to a customer, but if it is a man in the same line of trade with himself, it is different. If it is a good customer that he does not want to lose, if he says, "the man is very good, and I have been doing very good business with him," he will think to himself: "I do not want to say too much; he is a very good customer, and I am afraid I would lose him." On the other hand, it might be very difficult for me, who know a man, to risk putting him in further trouble, unless I know he is really bad and can say so; but if he is half and half, it is very difficult to give information about a firm I know in a personal way, giving it out knowing that a man will take the information and report that my friend is no good, perhaps.

So that the best method of getting information is to look after it yourself. I have done it myself. I have been all over South America and all over North America, and Canada, and in twenty-three countries in America. I have spent five years in this, and I know very little, but I know a little about each country; and I have the feeling, perhaps because I am conceited, that I know enough now to be able to understand what other people will tell me, because I have acquired a standard, of which something was said a little while ago. So my best advice is to go and look for yourself. If you will do that, you will be surprised how much more confidence you will have personally in the people with whom you are dealing, when you have seen where they are and what they look like and what they are doing. (Applause.)

MR. KRUSEN (of the Josephine Le Fevre Company, Philadelphia): Permit me to tell you how I assemble my information. I got into the export business by accident. It was such a good accident that I realized it was going to be profitable. So, when I took the *Prinz August Wilhelm* and went to South America I put \$800 in my pocket, and it has made me many thousands.

In every city I went into I first presented myself to the consul and said: "Consul, I am here for a certain purpose. Will you help me?" And he would say: "Sure. I am glad to see you." Because the average American consul has the experience that about the only man he ever sees from the United States is the man who is broke and wants a stake to get him home, and he was glad to see a man who had money in his pocket.

I said: "Now, I do not know anything about the Spanish language, but I have a secretary with me who does." He said, "All right, go and see So-and-so and So-and-so and So-and-so." And I went and saw them. You cannot do business in Latin America the same as you do in New York and Chicago. You cannot go in and chuck down your bag and say, "I am here. I will show you my samples, and I have got to get out on the next train." You have to do business in anywhere from three or four to six or seven days. It has got to be more or less of a social affair.

I found, after fourteen weeks, that I had laid the foundation of a profitable export business purely on sentiment, because there are so many men there that are so glad to see you and do business with gentlemen who approach them in a gentlemanly manner, that you can get all the business you want. That is, within reason. The result is that I have what I consider an elegant foundation for the rest of my days, and the days of my sons and their sons.

I wish to say this about Latin America; that there are so many good firms to do business with that you do not have to hunt for the others.

The principal question is the ability of a man to meet his obligations when they are due. When the obligation is due, he will pay it. If he will not pay it, there is some mighty good reason.

As an illustration, I sent \$900 worth of soap into Bogota about eight years ago, accompanied by draft at four months' sight. I received a letter in which they said: "We are very sorry, but we are unable to pay this draft the day it is due. What shall we do with the soap?" Well, they had the soap. I did not want it. I said, "Keep the soap, sell it, because you gentlemen have had such an enviable reputation for a good many years that I know if you cannot pay it there is some very good reason. Cable to me and I shall be glad to duplicate the order."

I received a letter, which is framed in my office. They appreciated what I had done for them, and I had that money on

my desk ninety days before I would have had it had they honored the draft. That shows moral responsibility, and Latin America is full of it.

I want to tell you right now that if you would put money in your pocket and go down there and make the acquaintance of these gentlemen and find how they live, find the reputation that they have in their own local community, and make a distributing point of one man in one town, the same as I have done, you would find your business would keep on growing and growing and growing. You do not have to hunt for bad risks. You run no chance in extending credit. but you need to go there just the same as you go to sell your goods in Philadelphia or in New York or St. Louis or any other point; and the boss ought to go. If he cannot go, he ought to send the man next to him. But let him go there and do not let him be in a hurry, because you cannot hurry these people. They are not going to be hurried simply because you are in a hurry. They take their time to do their business. They have their own ways of doing business, and I think it is more or less of an insult to try to tell people that they should do business in a certain way, when they have been doing business successfully for years, and the man to whom you are talking may be worth a hundred thousand dollars or two hundred thousand dollars, which is not anything unusual. I would just as lief trust those fellows there as some of the big department stores in New York City.

THE CHAIRMAN: You are not holding to your promise. You said you would tell us how you got the information. You are saying how you sold them. Tell us how you got the information.

MR. KRUSEN: The first thing I did was to go to our consul. I said, "I want to sell Brown. What do you know about him?" He said, "Brown has been doing business here for twenty-five or thirty years, and he has always honored his paper. He has always accepted his drafts and paid them when they were due." What more do you want? You cannot beat that.

It is not a question of capital. If a man has enough capital, money in the bank to finance his business, he can certainly pay his bills.

THE CHAIRMAN: That is the way that you assemble the information?

MR. KRUSEN: Yes.

THE CHAIRMAN: Now we have the two gentlemen who have

spoken upon the point and presented to us one way of assembling the information; that is, getting it yourself.

MR. KRUSEN: I went after it.

THE CHAIRMAN: Yes.

MR. KRUSEN: And when I came home I was thoroughly equipped to do business with these men, because I had been down there with them, and had a cocktail with them—

THE CHAIRMAN: I hope it was not more than one. (Laughter.)

MR. KRUSEN: And had gone to see the bullfights with them and the cockfights.

THE CHAIRMAN: Thank you very much.

Now, gentlemen, we must move rapidly. We have had the two gentlemen who spoke to the point of getting the information for yourselves.

Now we have the agencies who assemble the information. Let us hear from them. What agencies assemble the information for us? We have representatives here of the two leading mercantile agencies, and I hope each one will, in a few words, tell us what they are doing in that field. Mr. Green, of R. G. Dun & Company. Is he in the room?

MR. GREEN: Mr. Chairman and Gentlemen, I have listened with a good deal of interest to your statement of what you want, and also to a statement that Mr. Benney made, which I want to emphasize, if I am allowed to do so, and that is, that we have been hearing a great deal through magazine writers and men of prominence in other lines who have spoken of the difficulty of getting information about foreign firms, and some have gone so far as to say there was no means of getting any information of that kind.

I want to tell you, very briefly, something of what is going on along that line, in addition to the work of this organization and others. I am speaking and shall speak only of the mercantile agency of R. G. Dun & Company.

Some of you, perhaps most of you, know that R. G. Dun & Company was the first organization to attempt the systematic gathering of information in relation to the credit standing of business firms; the first in the world. The head office was established here in this city in 1841, 75 years ago, and today that agency is the only organization that maintains any considerable number of offices in foreign countries under its own name and management.

Those offices today number 96, and they are fairly well scattered. With your permission I will give you an idea of the magnitude of the work that is going on and the facilities that are at your disposal, and will mention some of the dates when these offices were opened.

The first branch established in a foreign country was that in London in 1857. That was followed by a branch in France in 1872; Germany in 1876; Australia in 1887; Mexico in 1897; Cuba in 1899; South Africa in 1901; Argentina in 1902; Spain in 1903; Austria in 1904; Brazil in 1913; and since that there has been a branch established in Porto Rico.

All of these branches are what we call district branches; that is, they have reporting stations attached to them, which are constantly sending in information and making investigations as they are called upon.

To give you a further idea of this matter, I would say that in the United Kingdom we have 4 branches; in France, 2; in Belgium, 3—of course, Belgium does not amount to much just now; in Holland, 3; in Germany, 23; in Argentina, 2; in Cuba, 1; in Austria, 5; in Hungary, 1; in Switzerland, 1; in Spain, 7; in Portugal, 2; in Italy, 3; in Brazil, 1; in Australia, 5; in New Zealand, 4; in Mexico, 7; in South Africa, 4; in Porto Rico, 1; and 17 in Canada, making 96 in all.

Now, gentlemen, in the face of the great war in Europe and the conditions that have existed in Mexico, these branches have all been maintained at a great expense, and with the full realization that further very large expenditures must be met in the correcting of our lists and the revising of our reports when the war is over.

All of this is with the object that the mercantile agency shall be in a position to aid the American business men in the development of their foreign trade without unnecessary risk, and enable them to meet the requirements of the trade with reasonable safety.

As you all know, very great changes are going on and all credit information obtainable is necessary for the safe conduct of your business.

In the course of years we have organized a competent staff of reporters and correspondents, numbering many thousands, located in the countries where branches have not yet been established.

These men have been selected with the utmost care and are thoroughly posted on the conditions of the countries in which they are located, and many of them have acted in this capacity for a great many years, and they are constantly in touch with the various branches and with the home office here in New York. So that you will see, gentlemen, that exactly the same system of gathering information in the foreign countries is in use that is employed in certain sections of the United States.

There are sections here where we have to depend upon our reporters and it is exactly the same in the foreign countries.

It has been mentioned by some of you gentlemen who have spoken of the requirements, and what you feel you need in the way of foreign information, the question of obtaining statements.

It has not been an easy matter to obtain financial statements in foreign countries as we get them here, and it has taken a great many years of educational work to get the merchants to realize that in making their financial statements and signing them, as the American business man does, they are doing more for themselves than they are doing for anybody else on the face of the earth. They are gradually recognizing that fact, and we find that constantly there is that disposition to sign up their statements just as the American merchant does.

Now, gentlemen, I do not want to trespass beyond the five minutes' rule.

THE CHAIRMAN: We can give you a minute longer, because our time is brief, you know.

MR. GREEN: I know. That is why I wanted to stop now. I was going to ask you if there are any questions that anyone desires to ask me.

THE CHAIRMAN: Go ahead and finish, Mr. Green. You have one minute longer, and then we will proceed to the others.

MR. GREEN: I should prefer, if agreeable to you, sir, if anyone desires to ask me any questions to devote that minute to answering such questions.

THE CHAIRMAN: Has anyone a question to ask Mr. Green about that service, the foreign service of R. G. Dun & Company? This has been very interesting. If there are no questions to be asked of Mr. Green, we will proceed to something else.

MR. GREEN: I am very sorry to have taken up the time—

THE CHAIRMAN: Your statement was very interesting, sir. We thank you for that presentation, Mr. Green.

Is there a representative of Bradstreet's Company here? Is Mr. Strobhart in the room? He was here earlier.

MR. WYMAN: May I ask R. G. Dun & Company's representative just one question? That is, what steps do you take to secure information on request when there is no information in your files here? In other words, what is the process you go through. What is the greatest speed with which reports can be obtained, and what would be the cost of obtaining those reports?

MR. GREEN: I would say, sir, that while our files are very complete, we do not profess to have reports on everybody on hand, but we do find data on about 80 per cent. of all the inquiries that come in.

If an inquiry comes in for a house that we do not have a report on file about, we communicate with the office covering that territory, if it is a case of that kind. If not, the matter has to be referred to one of our reporters or correspondents.

It very frequently happens that while we may not have a report in New York, some of the European offices, in London, Paris or any of the centers over there, may have full information in the matter inquired of; because that house may have been in the habit of dealing with some of those countries and not with the United States, up to this time. That is the method.

MR. WYMAN: I thank you.

THE CHAIRMAN: Now, gentlemen, we will have a little rapid-fire for the balance of this period.

Mr. James Matthews, of the National City Bank, will tell us what that bank is doing, in two or three minutes, in the way of assembling credit information on foreign merchants.

MR. MATTHEWS: I did not come prepared, Mr. Chairman.

THE CHAIRMAN: I did not expect you would. (Laughter.)

MR. MATTHEWS: In fact, I did not know how broad this discussion would be.

We are somewhat young at the game ourselves. We have been engaged in it about a year and a half. We are meeting, I think, with essential success, in getting information not alone on South America but other parts of the world.

In South America we have five branches. We have also one in Cuba, Havana.

I will speak, in the first place, about the work at Buenos Aires. I think that we have been quite successful there. I have observed a number of financial statements coming from our representatives there which reflect a high state of intelligence

existing among the merchants in that country. It has been a little hard to get thoroughly acquainted with them, to get in close touch with them in order to get satisfactory information, but we have experienced men there, men who were trained in our office here, and who know what is required to meet the needs of merchants in this country; and I think anyone who will examine the reports that have been sent to us from them would be surprised at the progress that has been made in getting reliable information from financial, business and moral viewpoint.

We are doing very nicely in Montevideo; we are making very good headway also at Rio de Janeiro, at Santos and at Sao Paulo; not so fast, I might say, as we are doing in Argentina. But we are getting good, reliable information from our men, who are obtaining the *entrée* to the very best authorities there, and the information is being collated in much the same manner as it is being done in this country.

We had some difficulty in securing detailed financial statements, but we must expect this. Conditions are very different there from here. It is not many years since it was very difficult to secure financial statements in that country. We do not get all the statements we want today, and many that we get are not thoroughly reliable. I believe the merchants in those countries will generally become accustomed to furnishing statements; but it will in all probability take several years to educate them into doing so. We are, however, receiving very intelligent statements in many instances.

A great factor in those countries in getting credit information is that of the personal equation. We naturally go very strongly into the moral character, habits and business capacity of the man; we examine, as far as possible, into his turnover and the amount of capital he uses in his business. This covers briefly what we are doing there.

Now as regards Havana (we have been there only a short time), we are finding a somewhat different situation there from that in the South American countries, as far as we have gone. But we have men there also who have been trained in the office here and who understand the *modus operandi* of collecting information in a manner to satisfy the wishes of business men here.

The reports received from there are quite commendable, for the short time we have been there, as to the knowledge we have of the country, and the merchants' standing and antecedents.

We have been assisted to some extent by the mercantile agencies in all these countries, and we have found them very useful forces toward completing our information.

The manner in which our reports are being accepted by merchants and manufacturers in this country indicates a very strong interest in the character of information that we are giving.

I think that if the proper precautions are taken and we get at the people down there the right way we shall succeed in getting information which will be reliable as a basis for credit.

Of course, in some of the other countries in South America our experience, so far, has not been quite as successful as it has been in the countries about which I have told you.

I believe that in Chile it is extremely difficult, perhaps more so than in any other part of South America, to get reliable credit information.

We hope in time to be able to accomplish the most satisfactory results, and I have no doubt we shall, if we exercise patience and indulgence in going at it in the right way. There is no doubt that it takes tact and diplomacy. You have to approach them in a different manner to that which you follow under the conditions existing in this country. As one of the gentlemen here said a little while ago, you frequently have to take it up in a social way in order to get the desired information from a man; but by cultivating his confidence you are quite likely to get the information.

I think that, taking it as a whole, the standards existing among the commercial people in South America will compare very favorably with those existing in this country.

I think that we shall all have to work hard to develop the proper manner of getting information such as we desire, and that we shall have to work it out slowly; but I think it will surely come. There have been times in this country when we have not been able to get information any better than we are doing in South America today; but through the exercise of proper intelligence we have worked up a very high standard of credit information in the United States. I think this is all I can say to you in this short time.

THE CHAIRMAN: Just one question, which I know is bobbing around in the gray matter of these gentlemen; you are gathering that information. Now, how can they get it?

MR. MATTHEWS: They can get that information by applying to the National City Bank.

THE CHAIRMAN: By applying to the National City Bank?

MR. MATTHEWS: Yes. We will do the best we can to assist them. In the organizing of our credit facilities in those countries we are doing it with a view to assisting American industry in general, and any reliable, worthy concern can get the information, if we have it. If we have not got it we will endeavor to get it for them. (Applause.)

It makes no difference if they have no account with us. We are willing to help them along for the general good of American trade. We naturally desire to derive some benefit from this service, but, at the same time, we feel that there is a certain amount of pioneer work to be done, and that in due time we shall get our share of the results.

THE CHAIRMAN: Now, gentlemen, that is Mr. James Matthews, of the National City Bank. Put that down in your memorandum book, that he makes that statement. (Applause.)

MR. SMITH: What charge do they make for those reports?

MR. MATTHEWS: There is no charge for information which we furnish.

THE CHAIRMAN: That must not be looked upon as competition.

MR. MATTHEWS: None, whatever. We cannot be regarded as a mercantile agency. As I have just said, we expect some business will develop through that service, and that we shall get a share of it. At the same time we do not restrict a man to putting his exchange through us. He is at liberty to put it through other banks, if he so desires.

THE CHAIRMAN: Mr. Matthews wants you to understand that the National City Bank is not working entirely for glory. Their financial statements, I think, are a sufficient demonstration of that. (Laughter.)

Mr. Gonzales, do you want to say a word about your work? These gentlemen are getting a little impatient, and I am going to close this Conference at eleven o'clock. Mr. Gonzales will tell us something about his means of assembling this information.

MR. GONZALES: The National Association of Manufacturers does not maintain branches or agencies.

We do not supply information on credits for profit, but for service. That does not mean to reflect on the people who are supplying that information for profit, or to intimate that their information is less good than ours, but is simply a statement of facts. We obtain our information through correspondents that

we have in every country in the world. We have several correspondents in each place—banks, merchants, lawyers, different kinds of people. When we receive that information, we translate it into terms comprehensible to our members. We analyze it, we edit it, and then we take from the statements that the gentlemen are pleased to give us, their information, the firms with which they trade in this country, and so on; so that when we supply information to our members in regard to a foreign firm the information received from our correspondents and from the firms in this country with whom we have been put in touch, we extract the statements that have been given us. Of course, we comment on that, sometimes. We telegraph and use the cable, when necessary, and we only make a nominal charge, because if we do not do that some members would get the service and others would pay for it. We are after no business whatever. Our view is only to promote the trade of the country.

THE CHAIRMAN: Is Mr. Hart, of the Royal Bank of Canada, in the room? We would like to hear from him. We thought we would like to have a word from him, as he does work very much like that of the National City Bank. Is Mr. Harding here, of Brown Brothers? They are also assemblers. These gentlemen do not seem to be here. I do not know why they got away. They did not sit tight, did they?

Mr. Matthews, did you want to say a word?

MR. MATTHEWS: One word more I wanted to say. Perhaps I did not understand a question that was put to me. When we receive these reports from our representatives in South America they come into our credit department, and there they are gone over and compiled into reports which embody all of the essential points of information necessary to obtain a clear knowledge of the individual's credit standing. That is, these reports are carefully gone over and compiled in such a way as to make what one would call a readable report.

THE CHAIRMAN: Gentlemen, will you bear in mind that this is being assembled as showing the sources for securing foreign credit reports. Mr. Gonzales has spoken for their excellent work. We have had the agencies' and we have had the banks' method of assembling this information. Is it customary to ask the foreign merchant directly for information? Who can say a word about that?

MR. BROOKS (Syracuse Chamber of Commerce, Syracuse, N. Y.): We find that our sales department can ask a merchant

very often directly and get the information, not as to the assets and liabilities, but as to their references.

When we are shipping goods on draft we are asking the man at the other end to extend to us credit or confidence in our having shipped to him the goods he has ordered.

In opening negotiations with a firm on whom we cannot get credit information through the customary channels, we frequently ask them for their references to firms with whom they are doing business, and we get that because we preface that with our references and tell them who we are, how big we are, giving the references of our banks, the associations, and Chambers of Commerce, and we enclose a stamped envelope for reply, using their own stamp; and we get that information nine times out of ten.

THE CHAIRMAN: You ask directly, Mr. Gonzales, in your work?

MR. GONZALES: Yes. We send a blank form to be filled out, and in ninety-nine cases out of a hundred it is filled out.

THE CHAIRMAN: That is fine. Is there anyone else who desires to speak?

MR. MORRELL (Secretary Franklin Electric Manufacturing Company, Hartford, Conn.): Our experience has been just the same as that gentleman's. We give these people all the information they want regarding ourselves. We think it is an equal exchange. That is, we believe that when we are perfectly ready and willing to give them all the information they want about ourselves that they generally respond immediately to the requests for the information that we want, and are perfectly reasonable in giving us what we want.

THE CHAIRMAN: I think that is fine. That is a fine thought. Has anyone else just a word on that? Is it customary to ask banks or neighbors directly of the merchants?

MR. HAUSS (American Chamber of Commerce, Milan, Italy): It is our custom down there to get our information entirely from the banks. We find that most reliable. We can get it from all the chambers of commerce in each city in Italy, for instance. Every reliable merchant must be registered with his chamber of commerce, and he must pay taxes, and he pays taxes on the amount of business that he does, and that gives a very good line on a man's responsibility and reliability. We have no trouble whatever in getting safe information.

THE CHAIRMAN: By consulting banks and chambers of commerce where the merchants are registered?

MR. HAUSS: Yes.

MR. SMITH: Where do those conditions obtain?

MR. HAUSS: In Italy.

THE CHAIRMAN: Has anyone else a word to say with respect to other countries, of inquiries made of merchants? It seems to me that we have brought out some valuable points in this part of the discussion for our education as credit men.

If there is no other word to be said in connection with this particular branch of our program let us pass to the other subject, which is: How shall commercial foreign credit granters coöperate with one another in the queries of foreign credit risks? Who will be the first one to speak on that subject of coöperation?

MR. BRADLEY: I want to say that in Sao Paulo and Rio and Buenos Aires they have a so-called credit clearing house, on the same order as we have domestic in this country. The war has done some good. I have had no personal experience in this, but I understand as a result of the moratorium down there the people have organized a so-called clearing house such as I have spoken of and that it is working wonderfully well. They have this certain organization, their name for which I cannot remember at the moment, this clearing house in different places, one at Sao Paulo, one at Buenos Aires.

THE CHAIRMAN: It is interesting to know about that. We shall be glad to hear from someone else on this subject. Who will be the next speaker?

MR. KEITH: I have been troubled recently to a large extent in relation to this subject by the flood of inquiries from other manufacturers throughout the United States who have desired credit information, but who do not seem to be able or willing to give me their information when they send in their reports. They are questions in relation to the standing of the concern and our experience.

It has been a custom in our house that if we desire information it is no more than courtesy that we write a letter giving our own information at the same time we request it of you. We have sometimes fifteen or twenty a day coming into our office in relation to foreign concerns. Some manufacturers seem to think that we sell everybody, and they send in a whole list, and we pick out the ones that we sell, and let the others go, because we don't know anything about them; but it seems to me that there is a

point of mutual coöperation, not making it necessary for the merchant who gives the information to ask in return for his information that they give theirs.

MR. WYMAN: There is in New York among the very many groups of exporters one little unnamed group we call the export luncheon bunch, and it chanced at this noon that we lunched here; and the topic most discussed (after our friends the Federal Trades Commission, were discussed before one of their representatives) was this question of coöperation between manufacturers in credits and in collections.

As Mr. Erickson, our credit manager, said, "After all, credit is a question of getting the money."

The first topic we took up was getting a list of lawyers who would handle collections. We have lists of lawyers in this country who will handle them.

Instead of putting up fifty dollars, as one gentleman said, and getting nothing but a request for more, we have been trying to get it on some sane basis for foreign collections.

There is one phase of coöperation.

The other phase is that which was suggested by Mr. Phillips, I believe. We are working on a standard for credit inquiries between manufacturers in the United States, trying to keep them down within the limits which one manufacturer can reasonably expect of another manufacturer, and yet have it contain all the elements which, in our limited experience will aid in passing on a credit risk. I think possibly Mr. Phillips could extend or expand that, if the Conference desires.

THE CHAIRMAN: Mr. Phillips, would you say a word on that?

MR. PHILLIPS: I hardly think that needs expansion, except to say that it is a standard universally used as your own forms in this country are used, certain specific questions always the same, boiling the questions down to as few as possible, all vital and such as will give real information. That is information from references in this country. Probably another form will be sent out to foreign references, banks, business houses, who can give information from the other end.

We cannot discuss that to any further length now, but those interested in such a blank, or the uniformity of foreign credit information, I think, will be able to avail themselves of this plan of it by sending a letter to the Foreign Trade Department of the National Association of Manufacturers; and if I may be per-

mitted to make that suggestion in their behalf, those handling the matter will be glad to extend the information to them.

THE CHAIRMAN: Gentlemen, is it the sense of this Conference that there should be coöperation between the granters of foreign credits in this country? Those who believe in that will pledge themselves to encourage that coöperation on a reciprocal basis by raising their hands.

That is fine. I think we have now dedicated ourselves to that.

Gentlemen, the time is up.

I want to thank you, the National Association of Manufacturers, Mr. Benney and Mr. Gonzales for this privilege. I hope you have enjoyed it. I believe that this will not be the end, but that we shall carry forward this movement until we become experts in foreign credits.

I thank you very much. (Applause.)

(Whereupon, at 11:00 o'clock P.M., an adjournment was taken until Tuesday, December 7, 1915, at 10:00 o'clock A.M.)

FOURTH SESSION

Tuesday Morning December 7, 1915

MR. BENNEY: Gentlemen, the program announces as the presiding officer at this session and for the afternoon session Mr. Theodore C. Search, of Philadelphia. Colonel Pope is unable to be with us this morning, and the pleasant duty of introducing Mr. Search falls upon me. Really Mr. Search needs very little introduction, I think, because during his presidency of the Association from 1896 to 1902 he made the organization not only known nationally, but also an organization of international influence.

I take great pleasure in introducing Mr. Search. (Applause.)

MR. SEARCH: Mr. Benney and Gentlemen: It is a matter of no very small pleasure for me to preside at another meeting of the Association, and especially upon subjects that are so interesting as those that are before us, and where so many people from abroad are present to give us their views upon them.

I was not here yesterday until the evening session, and I must say I thoroughly enjoyed it, enjoyed what was spoken, and enjoyed the spirit of the occasion; and from the way we are start-

ing out this morning, although a little late, judging by the numbers that are before me and those that are coming in, I think we will have just as interesting a session today.

The Committee on Recommendations

The first duty, I believe, of the Chairman today is to announce a Committee on Recommendations, and the following gentlemen have been selected as that Committee:

Captain William P. White, Chairman, Lowell, Massachusetts (Lowell Paper Tube Corporation).

Honorable P. E. Quinn, New York City (Deputy Trade Commissioner of New South Wales, Australia).

Leopold Perutz, New York City (Schenker & Company, Vienna, Austria).

Antonio Carlos de Soveral, Bahia, Brazil (Chamber of Commerce of Bahia).

J. P. Bell, New York (Canadian Bank of Commerce, Toronto, Canada).

Eduardo Carrasco, Commercial Delegate of Chile to the United States.

Francisco Escobar, New York City (Chamber of Commerce of Bogota, Colombia).

Baron Jacques de Neuflize, Paris, France (Chamber of Commerce of Paris).

W. La Gro, Amsterdam, Holland (Netherlands Trading Society).

Count Dr. Riccardo Gatteschi, New York (Chamber of Commerce of Naples, Italy).

Trygve Wettre, Christiania, Norway (Chamber of Commerce of Christiania).

Alberto Falcon, New York City (Chambers of Commerce of Lima and Arequipa, Peru).

Alexander W. Behr, Moscow, Russia (Russian-American Chamber of Commerce, Moscow).

John Aspegren, New York City (General Export Association of Sweden).

A. B. Farquhar, York, Pa. (Chamber of Commerce of the United States).

E. G. Swift, Detroit, Michigan (Parke, Davis & Company).

George D. Seldon, Erie City, Pa. (Erie City Iron Works).

F. R. Briggs, Boston, Mass. (Thomas G. Plant Company).

Ernest R. Ackerman, New York (Lawrence Cement Company).

Mark W. Selby, Portsmouth, O. (The Selby Shoe Company).

Malcolm D. Jeffrey, Columbus, O. (The Jeffrey Manufacturing Company).

Harris Weinstock, San Francisco, Cal. (State Market Commissioner).

J. Scott Parrish, Richmond, Va. (Richmond Cedar Works).

A. C. Hahn, Sheboygan, Wis. (Phoenix Chair Company).

The meeting room for this committee, I am informed, is on the floor just above the exhibition room, which I presume you are all familiar with, on the opposite side of the hall.

The first speaker for the day should have been Mr. John Clausen. Mr. Clausen is not here, but he has prepared a paper. He is a gentleman of wide experience in foreign banking, and was selected as one of the American delegates to the Pan-American Financial Conference held at Washington last spring.

(Following is the full text of Mr. Clausen's paper:)

International Trade As a Sign of National Prosperity

By JOHN CLAUSEN,

Manager Foreign Department, The Crocker National Bank of San Francisco

The progressive industrialization of the United States of America and the wonderful growth of its people, have caused on the one hand increasing imports of commercial products and on the other steadily growing exports of industrial material as well as foodstuffs, with the gratifying results that this country in a large measure shares in the world's commerce.

From the wave of interest in trade expansions with foreign countries it is very apparent that our energies in that direction have received a great impetus in consequence of the war in which Europe is so unhappily involved. We are on the threshold of a new era in international relations and realizing that an increased foreign trade is a vital and necessary element in our prosperity at home, the wide-awake and erudite business man will grasp the opportunity and in coping with the present situation wisely prepare his machinery to forcibly enter the boom in the world-wide trade which is bound to be experienced in the years that are to come.

Conditions are now peculiarly set for our merchants to increase their business with foreign countries and, while it is fully appreciated that much of the trade which the rest of the world transacts with us at present is being diverted under compulsion, it behooves us to take what steps we can to establish intimate and satisfactory relations with these new customers that will assure continued trading even after our European contemporaries again enter the field of competition.

This, however, may be found difficult in that we have almost entirely neglected to provide avenues and means of international distribution and while among the commercial communities there seems a full recognition of the very great opportunities which are offered at present for pushing our trade, the financial difficulties, inadequate transportation facilities and the lack of comprehensive knowledge of requirements covering conditions of foreign markets everywhere stare us in the face.

The need for foreign outlets has not been a mooted question up to the present and the requirements of the home trade have absorbed the attention of the American manufacturer, with the result that inquiries from abroad received but casual attention. In recent years, however, there has developed a special demand of the export business to establish direct communications between the producer and the foreign consumer and since that time the subject has received more and more consideration. If we wish to compass international trade we must be prepared to meet the needs of foreign markets which necessarily require studies along individual and competitive lines.

So far as the prosperity arising out of war orders is concerned, that is something of an ephemeral nature, but nevertheless, it serves to supplement and greatly increase the prosperity arising from the natural and ordinary progress of development. In the field of foreign trade there will be many articles which we cannot supply in competition with Europe, while on the other hand, by reason of our natural resources, geographical position and propinquity to certain markets, there will be much we can advantageously produce and so create a vast and favorable commerce—always bearing in mind that the psychology of getting and holding business depends largely on personality, character and efficiency.

Four Obstacles to Trade

It may be proper to consider at this point the principal obstacles which now impede the free flow of trade:

First: American Exports are in general carried by foreign-owned vessels;

Second: American Tradings — sales and purchases — are financed through foreign banks, and enormous toll annually paid for such accommodations;

Third: Oversea Credit Information, indispensable to intelligent promotion of foreign trade, is largely sought through foreign banking channels;

Fourth: Only men of broad experience will be able to successfully secure foreign trade and influence business opportunities in that direction.

Taking the above factors into account there is no doubt that—before commerce can resume its normal course—these problems must be seriously taken under advisement.

It is a well recognized fact that the American merchant has been at a disadvantage in regard to shipping facilities which has proven a great handicap in building and picking up the trade now being neglected by our contemporaries in the old world. Our trade problems depend greatly on transportation, upon which profitable and useful commerce so much relies. We need a merchant fleet of the largest size and of the latest appointments. The sentiments of our President when he acclaimed that “if private capital cannot soon enter upon the venture of establishing these physical means of communication, the Government must undertake to do so” expresses a belief that such a measure would prove of immediate relief in remedying the present situation.

While land transportation has engaged our first attention and been developed to a high degree of profitable efficiency, private capital has concerned itself but very little with ocean transportation, with the result that foreign ships have been carrying our sea freights. Necessarily they have derived enormous profit therefrom, and incidentally routed the trend of the trade to flow into the channels most beneficial to their own interests.

The situation relating to trade carrying facilities was far from satisfactory even in normal times, and our commercial expansion depended largely upon transportation offered by foreign carriers, which made it immeasurably more difficult after the European war was declared.

Obviously, a building up of business activity is not to be expected until the usual channels of trade are opened and the many financial menaces removed.

Just as conditions differ in the various sections of the United

States so do we find a great diversity in systems and methods of operation in foreign countries. It becomes necessary for us to study these essential requirements in seeking adequate channels for expansion of our import and export trade and then arrange for the corresponding financial support to establish banking connections in caring for and promoting our business and financial interests.

Enlargement of Bank Functions

We are all aware that there is an undoubted tendency on the part of our commercial element to encourage enlargement of the scope of functions performed by banks. It is possible that the conservatism natural and proper to bankers leads them to view such progressiveness too critically, but just as the conception of a banker's function has been vastly widened since the days of old, so the process will continue in the days that are to come. Developments of this kind are healthy, and wise men will not be disposed to obstruct them.

A nation that would prosper in international trade must first become a world banker—the wealth and power of this country entitles it to a position of leadership in every market. It is thought that we cannot successfully develop our foreign relations so long as it is necessary to operate through banking institutions of competing countries, and while the Federal Reserve Act provides for the establishment of branches by member banks in foreign countries, it is felt that few banks care to assume the risk separately. Jointly owned banks would appear to best serve the requirements of the country as a whole. Coöperation thrives best where action through association is legally possible and practically safe.

The new Bank Act is essentially intended—as a commercial banking system—to assist in the financing of our internal and external trade and provide a market for commercial acceptances based upon the importation and exportation of goods—at the same time create a basic condition of automatic registration of such operations, which is a very vital feature to prevent over-extension of credit. In the case of time bills of exchange drawn on and accepted by banks or bankers of high standing, there is practical uniformity of security—which cannot be claimed for “commercial paper” with which the financial markets here are supplied, the strength of such obligations depending upon the standing of miscellaneous commercial interests.

While we cannot hope to see the New York or San Francisco bill of exchange take the place of the so well and favorably

known bills on London, Hamburg or Paris, recent events and dislocation of the financial structure in Europe have at least brought the possibility before the commercial world and tended to bring within our reach the power of competing on terms of equality with our European contemporaries.

The power of a bank to accept a draft or bill of exchange enables it to make use of and to sell for a consideration its credit, and so lend, for legitimate use in trade, vast sums without depleting its reserve or impairing its capability in making additional loans and advances to its clients.

Differences in State Banking Laws

Whereas the Act permits member banks to accept bills of exchange they are not at present authorized to extend such facilities to clients for the acceptance of draft covering domestic transactions, although the New York banking law gives permission to State banks and trust companies of extending these facilities for both foreign and domestic transactions. This is likewise the case in Maryland, Utah, Vermont and Texas—the latter restricted to foreign acceptances only—but the laws of other States carry no provision for banks extending to their customers the use of its credit in the development of commercial relations and it would seem apparent that State bank legislation throughout the United States should be amended to harmoniously conform to the new and better system.

A merchant, for instance, instead of borrowing cash on a note from his banker may arrange—for a stipulated commission charge—to use the bank's credit for a certain length of time and a given amount. To make use of such facilities a time draft may be issued against the bank, which in turn gives the required acceptance. After this requisite has been secured the merchant is in position to either use the bill of exchange in the settlement of his trade obligations or sell same through a bill broker in the open market and so obtain available cash. The small merchant's paper—endorsed by his bank—is as acceptable as that of the largest merchant or corporation, backed as it is by security of the bank and therefore readily discountable by virtue of its high intrinsic security as the most liquid form of investment.

The world's commerce is almost in its entirety financed by bills of exchange, which in turn act as an index to the value of money. Increased trade—both domestic and foreign—very logically brings about a corresponding demand for credit, and while

it may be comparatively easy to create credit, it is often a difficult matter to protect it, which—economically claimed—can only be done by maintaining an adequate amount of gold.

The Federal Reserve Banks' Advantages

The Federal Reserve bank with its holding of "gold and lawful money" can, for this reason, very effectively find employment of its resources in fostering and rendering assistance in the financing of our trade, as also in the creation of a broader market in foreign centers for the American bank credit, and especially in the recognition of the United States dollar acceptance.

The matter of a ready discount market—comparing favorably with prevailing conditions in principal centers abroad—is worthy of very serious consideration and while the feature of discount and rediscount provided for in the Federal Reserve Act may, in the main, be regarded as in the nature of a safety measure, it is hoped that as a principal aid to a more liberal system of financing our domestic and foreign trade the American market may effectively adjust its rates to conform with those prevailing in other financial centers of the world.

Of course, the value of money apart from the question of whether the open market rate of discount is slightly under or over the Federal Reserve bank rate will be governed by the strength of that institution, and the prospect of a demand upon its stock of gold reserve, as is the case with our British friends and their relations with the Bank of England.

Single name paper will not create a discount market as we find in London, Paris and Germany, where the fluctuations of rates so largely depend on the demand for and supply of marketable bills of exchange, which owe their origin to trade transactions as balanced against the demand for and supply of money. Low discount rates are an incentive to the revival of trade, and advancing rates in turn act as a natural check on trade and produce a gradual increase or decrease in the demand for money.

While these conditions are symptoms in governing the discount rates in Europe, our "call loan" rate as quoted in our Eastern markets only has an indirect relation to trade conditions, and registers mainly the speculative demand for stocks.

On the efficiency of the Federal Reserve Act must depend to a large extent the prospects of a great and favorable change in the international position of the United States which will now enter

into the competitive field of operations of other great financial nations.

While individual opportunities are even now offering themselves to our enterprising business men, the general prosperity of foreign trade expansions can only be guaranteed by a ready co-operation of all elements in our national and commercial strength.

Education Needed for the Foreign Field

Our attention is daily called to the scarcity of available young men who in a competent and honorable manner are qualified to occupy positions of trust and responsibility. To meet this crying demand of the commercial world too little importance is given to the necessity of finding a common ground on which the business man and the educator can meet and solve the great problem for a better coöperation in the national movement of fostering trade relations. In this period of our civilized development, we must not only be impressed with the thought for betterment but with the material means to engender that thought into practical application and effect and, consequently, every encouragement should be afforded the matter of providing for the establishment of schools of commerce to pursue a regular study of commercial, intellectual and cultural relations between the various peoples of the world, keeping pace with the corresponding commercial and political developments.

If we accept the assertion of the Sage Foundation, that only five percentum of the males in the United States are prepared by definite education for their occupations in life, it is readily conceived that our present courses of early studies are wholly inadequate to meet the need of our young element, who in such a large percentage plan for a commercial career. It would seem that the first forward step to devise effective courses of study and developed methods of commercial attainments would be to unite the educational agencies in promoting the move of specialization in instructions for the most direct preparatory training.

A young man with a theoretical commercial training and the additional linguistic attainments brought about by such a course would assuredly prove of infinitely more value to his employer in many fields than one who lacks such qualifications.

This leads to the question of greater importance to our captains of industry—the appointment of agents. It is not sufficient that the representative be well connected and of good financial

standing, but above all it is essential that he have a thorough knowledge, both technical and practical, of the negotiations which he proposes.

The *best* man in a business concern is the only *right* one to influence trade opportunities such as have been suddenly offered to us by the misfortune of the great industrial nations of the world, and if our business leaders wish reciprocal trade they must therefore not send representatives with only slight knowledge of ethics in business but rather men of the broadest experience, able to cope with the problems presented.

Success in any one line or for any one man means prosperity for several others, and it is therefore not so essential that every merchant or manufacturer here should engage in the foreign trade so long as those who do not are willing to afford their moral support in a move which ultimately will redound to the benefit of all.

A combination of circumstances and forces—economic, political and moral—is bringing us each day to a fuller realization of the part we are called upon to play in giving to the world an example of the possibility and practicability of international coöperation.

As the United States of America enters into the international arena it becomes more and more apparent that national solidarity should be carefully built up and consistently nourished. Our country is larger than any national unit which has ever taken a world's part in history. It appears to me that our problems will consequently be greater and that they will require a sounder and more consistent study than it has been necessary to devote to our problems during the rich days of our youthful and almost boundless development. When the United States faces the markets of the world there should not be a Western or an Eastern point of view to be met by our foreign customers. We should be united, not merely in our loyalty to the flag, but in the intelligent understanding of all the fundamentals of our business and economic life.

May I affirm, in conclusion, that in the matter of our foreign trade expansion the measure of success will largely depend upon our ability to organize in meeting the strong competition of our European friends, and if we are to become the financial center of the world, we must prepare ourselves to retain the advantages attached therewith—as well as all its responsibilities and obligations.

THE CHAIRMAN: The second subject before us is one that is always of importance in trade, whether it is domestic or foreign, and of special importance at this time.

The title of the paper is, "Credits Against Imports and Exports," prepared by Mr. Seebeck, a gentleman who, from his experience and position with the well-known bank which he represents, is well qualified to speak on the subject. I have pleasure in introducing to you Mr. George Seebeck.

Credits Against Imports and Exports

By GEORG VON SEEBECK

Guaranty Trust Company of New York

Two questions are of great interest in the present state of economic development in the United States, and they have already been widely discussed.

The first: Can the United States maintain the position it has attained in international commerce and finance since the outbreak of the European conflict?

The other: How can international trade relations now and after the war be further developed and firmly established for the future?

The present war has reversed the position of the United States from a borrowing to a creditor nation, and consequently there is a tendency toward broadening the horizon of our commercial aspirations. From the domestic field of business, still in its full process of exploitation, our aims have been extended far beyond the States and have become an international problem of vital importance and unlimited possibilities.

Importance of Credit Development

It is especially the development of our credit system to which we should direct our attention, if we do not wish to impede the present tendency of commercial extension. Credit is the foundation of all large trade operations. It was by the masterful and energetic handling of this problem and by constantly applying and developing its beneficial influence, that the countries prominent in international commerce secured their firm position in the world markets. The power and the wealth of Great Britain and of Germany are due in great measure to their achievements in oversea trade.

The basis for the successful commercial attainments of these countries is to be found in the underlying system of credits granted by bankers to importing and exporting houses. Similar and just as effective results may be obtained for Americans by combined efforts along the same lines.

The principal points to be examined more closely are the past and present application of banking credit arrangements and the possibilities of extending same further and more in conformity with the various practices of other countries doing an international business.

Americans had made their way and established their place in the export field before this war by the sheer excellence of their products and by their remarkable enterprise. They did not have nearly the same accommodations and assistance as English, French or German houses with old established relations, oversea branch offices, and extensive banking connections. *The main difficulty in the United States has always been connected with the question of credit.*

Foreign credit is needed by the customer for various reasons. In many cases the buyer of the merchandise is in a position to pay the exporter only after having in turn himself sold his goods to his customer. In other cases the importer can remit only after the returns from his own sales are received, and these are subject, in numerous instances, to results at certain seasons of the year and other trade conditions. Furthermore, in many countries the buyer of goods wishes to remit when exchange is profitable, which practically amounts to the same thing: namely, that he desires to wait for the time of the principal exports of his country.

Restrictions Due to Credit Conditions

It has often been stated that the American exporter is placed in an awkward position in comparison with others by not being able to grant the same long-term credit that they do. He, for many reasons, requires payment in cash at New York against documents. One reason for this being the fact that losses have been incurred through granting long-term credit. The granting of long-term credit, however, is a necessity to the customer, and means must therefore be found to help the American exporter to meet this condition. It is true that in a way the American foreign trade developed during this war is inclined only to strengthen American exporters in their belief, and to further

accustom them to this habit of receiving cash against delivery of the documents here.

Large quantities of goods, especially metal products, are exported to Europe at present and paid for in cash here; but can you expect an importer, in normal times, to pay for the goods before he himself makes sure whether or not they are in accordance with his contracts and arrangements? Just now this kind of business is facilitated by a large number of foreign agents and commissions in this country, who inspect the merchandise on behalf of the buyers. Of course, the advantage for the exporter is obvious if he can obtain cash credits over here or even confirmed and irrevocable cash credits established with reliable American banking institutions, and nobody would ask him to give up such terms as long as they are obtainable.

Timely Preparation Desirable

We must, however, bear in mind that the only reason for these unusual facilities and quick settlements, causing such great liquidity in the American money market, is due to quite exceptional circumstances. *Now* is the time to prepare for the condition which must prevail after this war, when the European nations will set to with all their might and power to regain in the world markets their old positions which may for the time being have passed into American hands. It is not a question of taking advantage of the present unhappy situation of our European friends, *but to secure for our own markets that place in the world trade which belongs to them by every natural right in accordance with the growing wealth, power and influence of the United States.*

Embarrassments of Long Credits

There are, of course, various respects in which the American trader lacks the same facilities naturally enjoyed by the European merchants. They complain, and rightly complain, of unreliable credit information, of difficulty in defending themselves legally in foreign countries if any differences should arise with their customers, and last but not least, of the tie-up of capital through having to grant long term credit.

In some of these respects European merchants have profited through their oversea branch offices, able to supply them with information and legal protection when necessary. They therefore have an advantage over the exporter who has to ship his goods to a more or less unknown party and consequently looks upon

this line of business as uncertain and risky. These difficulties are gradually being lessened, and eliminated to a large extent by the help and coöperation of American banks.

Difficulties Easily Surmounted

American bankers have established in these last years such an extensive and reliable net of correspondents that it ought not to be difficult for our merchants and manufacturers to obtain good credit information about the concerns abroad with whom they seek to enter into business relations.

The inconvenience of granting credit facilities to customers is not, or rather ought not to be a reason for refraining from selling goods to foreign customers; this, however, has been the principal drawback in recent years. Since American bankers are in a position to grant the same or similar credit facilities against shipments of merchandise as the European oversea banks, this obstacle must and will be overcome in the course of development and in proportion to the growth of the business.

Development of International Trade Through Bankers' Assistance

There are various methods by which international trade can be developed through the banker's assistance.

Evidently it is not the lack of enterprise on the part of the manufacturer that is in any way prohibitive of an increase in our foreign trade. However, the manufacturer himself should in most cases not be the man to attend to the foreign trade end of his business, which is especially desirable for exports to the undeveloped countries requiring different methods of forwarding, packing, and selling, knowledge of native customs, languages, and peculiarities in their currency. If we, for instance, look at the foreign method we find that to a large extent the manufacturer is paid in cash by the exporter and that the large exporting and importing firms, with the assistance of the banker, take upon themselves the task of giving long term credit to their foreign customers and also undertake the risks connected with the shipping of the goods.

The reason for this is that the manufacturer like the small farmer or planter cannot undertake to tie up his capital to any large extent. Besides, he has not the experience in handling the business and in the placing of his merchandise on the foreign markets. It would cost him years of experience, expense, and perhaps loss, to undertake foreign trade himself; whereas, the

exporter, who is in constant touch with the markets, knows their requirements as to quantities, seasons and all the conditions and is in a much more favorable situation to undertake such business. He, on his part, should only have to arrange with the banks to collect payment or to obtain further credit on his shipments.

The Best Known and Most Common Way

This is for banks to grant credit to exporters by purchasing their drafts on their customers or the customers' banks. Either the documents are attached to the draft, in which case the bank retains a lien on the goods, or the bank purchases the clean draft without documents and the commercial end of the transaction is left entirely between the buyer and the seller. In both cases, however, the bank has recourse on the drawer of the draft, and therefore grants credit according to his financial responsibility. If the documents are attached to the draft they are either delivered against payment, which releases the bank of any further risk, or, against acceptance or trust receipt, in which case these latter documents take the place of the security. Necessary instructions are given by the shipper about the delivery of the documents, protest in case of non-payment or non-acceptance, or of disposal of the shipment.

Not alone is the financial responsibility of the exporter essential to a bank as the basis of granting credit. It also depends upon the nature of the merchandise, the drawee, and the country to which the goods are exported. Drafts on commercial houses in South America or the Far East, for instance, are mostly not being purchased, but taken for collection, and it is for the banker to decide as to making advances on such collections. Here again the financial responsibility of the exporter is the basis of the credit advances.

Novel Conditions in Overseas Trade

A *new phase* in financing export shipments from this country is the acceptance by American banks of 60 or 90 days sight drafts drawn on them by the exporters for their shipments. Drafts on the customer, with supporting documents, are sent out for collection, and the proceeds used as cover of the original acceptance. In the event of the proceeds not being on hand upon maturity of the acceptance, cover must be provided by the shipper of the goods, or arrangements will have to be made for a renewal of the acceptance. The bank charges a commission for accepting in proportion to the length of time the draft

has to run. The shipper is able to discount these bank acceptances in the market, and is thereby able to finance his exports on a very advantageous basis.

In many cases a bank may insist upon discounting its own acceptances at a prearranged rate of interest. For the shipper this acceptance credit amounts to nothing else than a current advance. It makes no difference for the banker, who can rediscount his acceptance in the market and thereby avoid a tie-up of funds.

Credit Against Imports

The question of obtaining credit against the *importation* of merchandise is much simpler and easier for the importer in so far as he will not find any difficulty in obtaining credit according to his moral and financial standing. It is also easier for the banks, because they are much better acquainted with the financial and moral standing of their own domestic clients and can control the merchandise on receipt of the documents.

If an American bank undertakes to accept drafts against the importation of merchandise, the custom is for it to deliver the documents to the buyer against his trust receipt, and the transaction changes from a foreign to a domestic loan. The commercial letter of credit business is nothing new to the American trader and importer, and I need not go into details about it.

Commercial Letters of Credit for Foreign Importers

There also is another method of granting commercial letters of credit to *foreign* customers for *their* importation of merchandise. In this case both the foreign importer and the domestic exporter get their accommodation through the American bank. This line of foreign customers consists mostly of banking institutions abroad requesting the American banker to accept for their account drafts, with documents attached, from exporting merchants. Upon maturity the American bank has to look to its *foreign* bank correspondent for cover, and has no further recourse on the exporter.

Still another form of financing foreign shipments is the *del credere*, which is frequently used abroad. It is a guarantee undertaken by the bank that the buyer will discharge himself of his obligation; in other words, it is a guarantee that the foreign buyer will pay for the goods in question at the appointed time. It does not tie up any money of the bank direct, and it is left to the exporter to finance the shipment himself. Such bank guar-

antee will facilitate greatly the obtaining of credits by the exporter.

Such are the principal methods by which bankers are able to foster the development of international trade and commerce.

The banks, however, can only assist, can only do their share of the business. The merchants, manufacturers and shippers must do the larger part, and the friendly international coöperation of all parties concerned can alone obtain the great results we all are striving for.

THE CHAIRMAN: Gentlemen, you have now listened to this very excellent address. Following that come the five-minute discussions. It has been thought well that I should repeat the particular instructions concerning those discussions. They are found on the first page of the program, and are intended for harmonious purposes. We will omit the first paragraph, which is so general, and also the second, and go on to the subject headed "The War," which says:

"It will not be permitted to introduce or discuss matters affecting the attitude or policies of governments in connection with the great conflict now waging in Europe.

"No resolutions will be accepted, but recommendations may be handed to the secretary for submission, without reading, to a committee on recommendations."

That committee, you will observe, I had the pleasure of naming at the opening of the meeting.

"Any delegate desiring to submit remarks or opinions to be read to the Conference by the secretary is requested to submit them in typewritten form, in duplicate, with the understanding that they can only be read if the time allotted to those who are to deliver their remarks orally is not exhausted."

The paper which you have just heard is now under discussion, gentlemen, under the five-minute rule. We shall be glad to hear from some of our members, visitors and others on this subject.

Gentlemen, we should like to hear from someone. We want to keep the ball rolling, and we think the grounds are sufficiently improved for that purpose.

MR. W. B. FLEMING (of the Department of State): I rise not to give any information but to ask for some information.

I realize very fully the necessity for establishing credit, be-

cause our foreign trade will go with credits as much if not more than with the flag.

What I would like to have some gentleman who is thoroughly familiar with the subject enlighten me upon is this: Our foreign trade in comparison with our domestic trade is small. I will not undertake to give the proportion, but perhaps some gentlemen here would be able to say that ninety or ninety-five per cent. of the trade of the United States is internal and domestic.

The trade between these States of ours and these cities of ours is, of course, immense, and in comparison with it even our bounding foreign trade is small.

That does not mean that we must not continue to expand our foreign trade. I am more interested, myself, by reason of my connection with the government, in the expansion of foreign trade than I am with the expansion of domestic trade.

Of course I am altogether concerned with foreign trade so far as my official relations with the government are concerned.

Therefore, I am delighted to see the great interest that is manifested not only here but throughout the commercial world in the extension of our credits abroad and of our business abroad. But, gentlemen, while we are considering the question of credits abroad we must not forget the question of credits at home to take care of this ninety or ninety-five per cent. of the great business of this great people, a business which is so great that it is almost past comprehension; because, with less than one-fifteenth of the population of the world, we do more than one-third of the business of all of the world, ourselves included.

What a tribute that is to the business men who are here and the business men throughout the United States. Of course, it is not our function here to discuss the subject I am suggesting, and I only put it in parenthetically to see if it be worth while, either here and now, or at some future time in some future place, to see to it and raise the question, with a view of seeing to it, that in our great efforts to extend our trade abroad we do not deplete the veins and the arteries by which credit circulates at home. (Applause.)

MR. JOHNSTON (of the Louisville Board of Trade):

I would like to ask Mr. Seebeck in reference to the guaranteed credit he spoke of, what is the nature of the obligation of the contracting parties that enter into that guaranteed credit?

MR. SEEBECK: The last point I referred to?

MR. JOHNSTON: Yes.

MR. SEEBECK: It is usually the following: The foreign bank giving credit or having banking connections with the importers of the merchandise undertakes to guarantee, on behalf of the importer of the merchandise, that payment will be made under certain conditions, upon arrival of the merchandise, against such and such documents, or upon maturity of the draft, and usually guarantees this to another banking connection, their correspondent in the country where the exporter lives. This bank then passes the guaranty on to the exporter, and the exporter has now much greater facility in obtaining any credit on such a guaranty that his merchandise will be paid for. It is not actually giving any credit—it is just guaranteeing the performance, nothing else.

MR. JOHNSTON: May I ask, is that done on a commission basis?

MR. SEEBECK: It is done on a commission basis. The bank naturally requires a commission for giving this guaranty from the firm for whom it gives it.

MR. JOHNSTON: The firm executes its obligation to the bank as it gives the guaranty?

MR. SEEBECK: Yes.

MR. JOHNSTON: Thank you.

MR. SELDEN: I would like to ask what becomes of the bank guaranty; what is the position of the bank guaranty in case the obligation is not met at maturity; what is the nature of the guaranty and what does it amount to?

MR. SEEBECK: In case the importer should not comply with his obligation the exporter would have recourse to the bank which had guaranteed it. The bank of the importer will usually guarantee it to another bank in the country of the exporter, and the exporter will see his domestic bank in case the merchandise should not be paid for, and that domestic bank, liable to him on its part, will have recourse again on the bank that originally gave the guaranty; they have to hold him harmless if the buyer has not met his obligation.

THE CHAIRMAN: Are there any other questions?

MR. PEPPER (of Chicago): In regard to that guaranty, would that be as safe a basis as a letter of credit? For example, the Rio de Janeiro exporters of coffee expect people in this country to furnish a letter of credit. The manufacturers of this country are trying to get the people down there to work it on the same basis. If the people in South America are put on

the basis of the *del credere* guaranty, would that be as safe as the letter of credit, and would it be feasible?

MR. SEEBECK: It is a question whether it is agreeable to the exporter in South America. If it is agreeable to him, it is all right.

MR. PEPPER: How many do it?

MR. SEEBECK: Of course, he will want, probably, a guaranty by one of his own banks in his country, because he wants to know on which guaranty to rely. It will not always be agreeable to him if he gets a guaranty from a foreign bank.

MR. PEPPER: Can he get that guaranty?

MR. SEEBECK: If the American banker gives this guaranty to the southern bank and the southern bank passes the guaranty on to the exporter of coffee, it no doubt would be agreeable to him, it certainly protects him.

MR. PEPPER: But on the basis of a practical proposition, in place of a letter of credit, if that could be worked, it would be more feasible than a letter of credit, because it would not entail the feeling that they would have to pay the money right away, because the importer in the foreign market would be known to the bank over there, and they would have sufficient confidence in the importer to extend him that amount of credit, because he no doubt has regular transactions in the foreign market. If the bank thinks enough of him to guarantee the payment to the American manufacturers in this country, they would no doubt be willing to do it on that basis, rather than another, because they can be sure of their money and it would not necessitate a letter of credit.

How much business has been done on that basis in South America, if any?

MR. SEEBECK: There is some business being done with South America every year. There has been done a good deal of business by the German exporters and importers and by the Russians on that basis of the guaranty.

It is a question—if American exporters want to be financed besides just receiving that guaranty, the guaranty does not finance them. It just assures them of the payment for their merchandise in due course. It does not give them any financial assistance.

MR. PEPPER: In that connection, may I ask another question? As I understand it in the new Federal Reserve Bank Act facilities are provided to such an extent that an American manufacturer can take his paper, a ninety days' sight draft on a for-

eign customer, for example, and discount it in his own bank and get credit for it; but he must ultimately take the responsibility of that draft being paid by the customer abroad or it will be charged back to him by the bank in his own country.

MR. SEEBECK: Every drawer does that. If I buy a draft from somebody and the draft is not paid, I have recourse on the drawer.

MR. PEPPER: In that connection the *del credere* guaranty would be a further assurance to the American exporter in this country that he would get his money.

MR. SEEBECK: Absolutely, and also to the bank to discount the draft. The bank would discount the draft much preferably if it has been guaranteed by a bank.

MR. PEPPER: Could it be done, for example, in this instance: Take the American manufacturer in this country who desires to extend his credit, but, in view of the present conditions, does not think it desirable to take any great risk. He desires to work on this basis, and says: "We know you are not familiar with the letters of credit as we are here. We are willing to work on the *del credere* proposition." Do you personally believe you could get a foreign importer down in South America, or in Australia, to accept a proposition like that instead of a letter of credit, and not insist upon our giving any credit to those people without a proper guarantee? In your experience do you think so?

MR. SEEBECK: I know that it is being done.

MR. PEPPER: To any extent?

MR. SEEBECK: It has been done between London and South America to quite a large extent.

MR. PEPPER: It is not being done in this country direct?

MR. SEEBECK: It is being started.

MR. PEPPER: You think, then, it could be developed and is a feasible proposition?

MR. SEEBECK: Certainly it could be developed, absolutely.

MR. PEPPER: Thank you.

THE CHAIRMAN: Are there any other questions to be asked? If not we will proceed to the next subject: "The Making of an Export Policy," by Dr. E. E. Pratt, Chief of the Bureau of Foreign and Domestic Commerce, who is too well known, especially in an audience of gentlemen interested in foreign trade, to need any introduction by me. You all know how much intelligence and energy he has devoted to the development of this important Government Bureau of the Department of Commerce,

and Dr. Pratt has very kindly consented to prepare a paper for this meeting, the title of which, as announced, is "The Making of an Export Policy."

Gentlemen, I have great pleasure in introducing to you Dr. Pratt.

The Making of an Export Policy

Dr. EDWARD EWING PRATT,

Chief, Bureau of Foreign and Domestic Commerce, Washington, D. C.

A. The Present Export Situation

The enthusiasm for foreign trade which followed the outbreak of the European war did not seem, at that time, to be entirely justified. The actual results, however, in the extension of our foreign trade have been considerable and, in some ways, quite remarkable. Not all the roseate hopes which were associated with the possibilities of developing export markets have been realized. The mere statement, however, that the European war has furnished an opportunity for the development of American foreign trade has been justified, temporarily at least. This opportunity was not so much the opportunity to sell goods immediately in the neutral markets of the world as it is the opportunity to build up trade connections for future business. In the first few months after the outbreak of the European war our trade greatly diminished, not only with the belligerent countries but with the neutral countries, countries not directly affected by the war. Within the last few months, however, a change has taken place and our exports to neutral markets in parts of the world far distant from the actual fighting have considerably increased.

The growth of our export trade in certain parts of the world is worth a little very serious consideration. If we compare our foreign trade in 1913 with our trade in 1915 we find some very interesting results. Supposing we compare the four months, June, July, August and September, 1913, with the same four months in 1915: We find that during that period our trade with Canada has decreased about 9 per cent.; our trade with Central America has remained practically stationary; our trade with South Africa has increased 12 per cent.; our trade with South America has increased 22 per cent.; our trade with Asia has increased 51 per cent.; and perhaps most remarkable of all, our trade with Australia has increased 77 per cent. These facts demonstrate beyond

question that our trade with countries unaffected directly by the war, has increased temporarily.

EXPORTS FROM THE UNITED STATES TO THE SPECIFIED COUNTRIES

During the four months of June to September, inclusive, 1915, compared with the same period in 1913, showing per cent. increase.

Countries and Grand Divisions	Four Months Ending September		Per Cent. Increase
	1913	1915	
South America.....	\$46,663,570	\$56,705,248	21.5
Central American States.....	13,398,119	13,335,970	*0.5
Canada.....	138,013,720	125,729,855	*8.9
British South Africa.....	5,869,336	6,552,940	11.6
Asia.....	30,950,442	46,722,322	51.0
Australia.....	13,718,796	24,237,616	76.7

* Decrease.

EXPORTS FROM THE UNITED STATES TO THE SPECIFIED COUNTRIES

During the four months from June to September, inclusive, 1915, compared with the same periods in 1913 and 1914

South America:	1913	1914	1915
June.....	\$10,656,322	\$7,573,487	\$13,744,090
July.....	11,682,492	7,828,388	12,572,193
August.....	12,280,952	5,312,457	13,450,247
September.....	12,043,804	8,290,184	16,938,718
Total.....	\$46,663,570	\$29,004,516	\$56,705,248
Central American States:			
June.....	\$3,210,829	\$3,521,387	\$3,212,455
July.....	3,265,343	2,724,165	3,651,007
August.....	3,669,533	2,807,641	2,942,613
September.....	3,252,414	4,026,641	3,529,895
Total.....	\$13,398,119	\$13,079,834	\$13,335,970
Canada:			
June.....	\$37,618,485	\$28,231,548	\$29,561,783
July.....	34,218,539	31,607,048	29,497,982
August.....	35,442,709	33,495,829	34,766,904
September.....	30,733,987	25,946,675	31,903,186
Total.....	\$138,013,720	\$119,281,100	\$125,729,855
British South Africa:			
June.....	\$1,372,030	\$1,382,533	\$1,591,081
July.....	1,120,932	945,719	1,512,798
August.....	1,628,186	681,401	2,018,593
September.....	1,748,188	1,267,591	1,430,468
Total.....	\$5,869,336	\$4,277,244	\$6,552,940
Asia:			
June.....	\$8,682,892	\$7,252,349	\$13,648,403
July.....	8,099,701	6,178,134	12,853,678
August.....	6,308,082	3,789,548	10,268,041
September.....	7,859,767	7,043,793	9,952,200
Total.....	\$30,950,442	\$24,263,824	\$46,722,322
Australia:			
June.....	\$3,592,160	\$4,034,589	\$5,658,213
July.....	2,815,690	3,581,442	7,458,090
August.....	3,875,282	1,825,453	5,285,223
September.....	3,435,664	4,428,681	5,836,090
Total.....	\$13,718,796	\$13,870,165	\$24,237,616

The next important question for consideration is whether or not we shall be able to hold this trade. Some people are of the opinion that following the war the European countries will flood, not only our own market but the other markets of the world, with cheaply made, low-priced manufactured articles. The predominance of opinion, however, seems to be, and I must confess that the facts and logic of the situation seem to urge this view, that the costs of production and consequently prices will be much enhanced in European countries and that, in spite of the best organized and the most vigorous efforts on the part of our European competitors, they will not be able to compete in our own markets and in other markets of the world on as favorable terms as they have been able to compete heretofore. I believe and I find that most of those who are professionally engaged in foreign trade hold a similar opinion, that we shall be able to retain the major part of the markets which we gain during the present disturbed world conditions.

B. The Available Markets

Much emphasis in public prints and public speeches has been placed on the possible markets for our products in Latin-America. Wherever the subject of foreign trade is discussed, our trade with Latin-America is usually given the position of greatest importance. Personally, I doubt if the largest opportunities for the American manufacturer and exporter are to be found in Latin-America. I believe that there are other markets of even greater importance than the markets of Latin-America, although we must not forget that the continent to the south of us is still largely undeveloped and has great potentialities.

The population of Latin-America all told, including Mexico and the West Indies, amounts to perhaps 83,000,000. On the other hand, we must not forget that there are tremendous markets with great populations in other parts of the world—South Africa with a population of 5,973,000; Australia with a population of 5,044,000; India with a population of 315,133,000; the East Indies with a population of 37,717,000; Japan with a population of 53,697,000; China with a population of 336,042,000; and last, but not least important, Russia with a population of 167,920,000. There is no way of accurately determining the purchasing power of these various portions of the world. A rough estimate, perhaps, of their purchasing power, compared with the purchasing power of the people of the United States will be interesting, if not accurate. On that basis the total purchasing

power of Latin-America might be estimated to be equal to the purchasing power of about 13,000,000 Americans, residents of the United States.

To the average manufacturer the mere statement that the entire population of a foreign country is this, or that, means very little. The statement that China has a total population of 336,000,000 or that British India has a total population of 315,000,000 does not give the American manufacturer any definite idea as to the possible market for his merchandise. Each manufacturer knows that he can count only on certain limited classes of the population as possible purchasers of his merchandise. He is accordingly interested in finding the numbers of the population which fall in each of those classes. Probably a statement of the urban population of a foreign country is of more utility to the average American manufacturer than is a statement of the total population. For the majority of articles the manufacturer looks to an urban and not to a rural population for his market. Accordingly, I have taken the estimates of the urban population in South America, Central America, and some of the other important markets, and have tabulated them, with the idea that to the average American manufacturer these figures give a better indication of the extent of the purchasing market than any other single class of population figures. The figures here given for urban population are only approximate. In many of the countries covered there are no reliable official data on this subject. For the most part the figures for urban (or purchasing population) here given are those found in the "Statesman's Yearbook" and in Otto Huebner's "Geographische-Statistische-Tabellen" and certain other sources of a similar character. As I have said, these are only rough figures but I believe they are sufficiently interesting to indicate possible lines for painstaking statistical research.

STATISTICS OF POPULATION AND IMPORTS FOR CERTAIN IMPORTANT
FOREIGN MARKETS

Countries	Total Population	Purchasing Population	Total Imports	Imports from United States
South America:				
Argentina.....	8,700,000	2,560,000	\$406,805,000	\$59,862,000
Bolivia.....	2,521,000	214,000	21,358,000	1,900,000
Brazil.....	24,308,000	2,953,000	326,865,000	51,358,000
Chile.....	3,464,000	986,000	120,274,000	20,089,000
Columbia....	5,473,000	545,000	26,987,000	7,630,000
Ecuador.....	1,500,000	305,000	10,653,000	2,764,000
Paraguay.....	800,000	201,000	8,120,000	488,000
Peru.....	5,800,000	331,000	29,631,000	8,542,000
Uruguay.....	1,226,000	442,000	50,666,000	6,300,000
Venezuela.....	2,756,000	343,000	17,005,000	6,158,000
Total.....	56,548,000	8,880,000	\$1,018,364,000	\$165,091,000

The Making of an Export Policy

Central America:				
Costa Rica.....	411,000	69,000	\$8,685,000	\$4,468,000
Guatemala.....	2,119,000	204,000	10,062,000	5,053,000
Honduras.....	589,000	107,000	5,133,000	3,464,000
Nicaragua.....	690,000	240,000	5,768,000	3,244,000
Panama.....	387,000	81,000	9,872,000	5,413,000
Salvador.....	1,210,000	198,000	6,167,000	2,490,000
Total.....	5,406,000	899,000	\$45,687,000	\$24,132,000
Latin America, Other:				
Cuba.....	2,474,000	1,026,000	\$133,975,000	\$71,380,000
Haiti.....	2,500,000	165,000	10,935,000	6,499,000
Mexico.....	15,446,000	1,693,000	93,020,000	44,510,000
Santo Domingo.	725,000	72,000	9,272,000	5,769,000
Total.....	21,145,000	2,956,000	\$247,202,000	\$128,158,000
China.....	336,042,000	7,774,300(a)	\$427,406,000	\$25,826,000
Japan (b).....	53,697,000	8,300,000	363,257,000	60,959,000
British India.....	315,133,000	29,748,000	594,521,000	15,544,000
Australia.....	5,044,000	2,417,000	388,102,000	46,342,000
British S. Africa..	5,973,000	331,000(c)	187,489,000	17,851,000
Russia.....	167,920,000	24,157,000	603,463,000	45,026,000
Turkey.....	20,600,000	3,507,000	193,024,000	5,280,000
New Zealand....	1,152,000	425,000	108,466,000	10,259,000
Egypt.....	11,287,000	1,540,000	137,738,000	2,596,000

(a) Estimated population of 45 treaty ports in 1912. The total foreign population in China in 1912 was 145,000.

(b) Total population 1914; purchasing population 1908.

(c) White population in cities. Total population of Europeans, 1,276,000.

There is one market especially which is worth the most serious attention on the part of every manufacturer and exporter. I refer to Russia. The imports into Russia, during the last few years, averaged about \$500,000,000, roughly one-half of these imports have come from Germany. Not all of those products have been of German origin for the Germans have, in many cases, acted as the middleman for the Russian trade. Here is a great trade open at least on fair and equal basis to the American manufacturer and exporter. We must not forget that Russia is a country of great natural resources, a country which is in large part undeveloped. Her railroads, her ports, her public utilities are still in large part to be built. Her mines and natural resources are in large part still to be developed. And let me point out that Russia, during the next fifty years, will go through a period of development very much like that through which the United States has been going in the last fifty years. Our manufacturers and exporters are particularly well qualified to meet the urgent demands of the Russian market.

C. Unbusinesslike Methods in Foreign Trade

It is now your business, as manufacturers, to embark on the process of actually getting foreign business. Let me urge first

and at all times that we be businesslike in our methods of getting foreign trade. Let me urge that we use the same sane, common sense business methods which have been so successful in domestic trade. Let me emphasize the proposition that there is no essential difference between foreign trade and domestic trade.

The fundamental business methods which have been successful in domestic business will be successful in foreign business. The differences which sometimes monopolize our attention are in large part surface differences or temporary obstacles that are easily overcome. As a matter of fact, the very problems which I want to raise with you here today, are all of them problems which you have settled with reference to your domestic business. The differences which sometimes monopolize our attention are from a different angle. To these decisions that you must make, apply your usual and ordinary business tests. They are quite ample.

1. The Decision to Go into Foreign Trade

There is no more important decision which a manufacturing concern can make than the decision as to whether or not the concern will engage in foreign trade. It is a decision which far outranks in importance the decision to acquire a rival plant or to build a new plant, or to enlarge capitalization. It is far more important than the decision to take up the manufacture of a new line of goods, or to put a new product on the market. The decision as to whether or not you, as a manufacturer, are going into the foreign market is not merely the decision as to whether or not you are going to sell a few goods in foreign markets now and then. The selling of an occasional order in a foreign market is not exporting. It certainly is not foreign trade.

The decision to be made about export trade is the decision to go in permanently or to stay out permanently. The decision to go in is one which involves the setting aside of a large amount of capital for the specific purpose of developing a foreign business. It is a decision that means the inauguration of a new department in your business, a department of which not one man in a hundred or perhaps more accurately not one man in a thousand is qualified to take charge. It is a decision that comprehends a vast complexity of laws, regulations, languages, rates, trade customs and conditions which are different from those with which any part of your business has had to deal heretofore.

The manufacturer must determine, on the basis of careful study, whether he wants foreign sales, whether he needs increased

output, or whether he can get along equally well without markets beyond our boundaries.

But, perhaps even more important than the details which must be considered and perhaps even more important than the money which must be invested is the brains which must direct the foreign trade or the export department. A decision which involves so much, which means the investment of such a considerable amount of money, must be made only by the highest directing body in a business concern. It must be made with the full knowledge that if the business is to be a success it is the most important decision which the concern can make.

II. Deciding on an Executive Policy

A decision having been reached to embark in export trade, the next problem which comes up for decision is that which relates to the executive direction of the export portion of the business and to the selection of possible markets.

The export business requires perhaps a greater amount of executive oversight than any other portion of your business. If you decide to embark in the export trade, and if you decide to establish a department for handling the business, that department should be put in charge of no less an officer than a vice-president. If the size of your establishment does not warrant the organization of a separate department for the export trade, the export business should then have the personal attention of the executive head of your business.

The first of your executive problems will undoubtedly be the selection of your export manager, or the head of your export department. In general you have two possible choices: a man from outside of your business who knows exporting; or a man from the inside who knows your business. Fortunate you are if you have a man with a knowledge of exporting in your organization, because the first lacks knowledge of your business, and the second lacks breadth of view.

The next problem that will come up for executive decision will be the choice of territory. This is not a decision that can be made by one who is unfamiliar either with conditions in the world's markets or with your products. It is a decision for the executive head of your business. A similar decision would have to be made if you were to extend your business to the Pacific Coast, or to New England, or to Canada, which is often considered a part of our domestic market. It is not to be expected

that flannel underwear can be sold in Egypt or that heating stoves will find a ready market in Java, although manufacturers have tried both. The nature of your product and the conditions in foreign markets are the two factors that determine the foreign markets on which you as manufacturers or exporters must decide.

The selection of the market in which you expect to expend your very best efforts is of primary importance. If you can make that decision without personal investigation, well and good; if you cannot, then *go* and see for yourself.

I cannot refrain at this point from paying my respects to that catch-phrase which has been hawked from one foreign trade orator to another, that American manufacturers do not manufacture the kinds of goods which are wanted in foreign countries. As that statement is usually made it is open to serious misinterpretation, because it states a half-truth and not the whole truth. When goods are sold on a basis of taste, the manufacturer must meet the taste of the foreign buyers. Among such goods might be included certain classes of food and clothing. But when goods are sold on the basis of utility, taste does not play an important part. In this case the goods possessing the most utility, irrespective of the taste of the population, will be the goods which can eventually hold the market. Then, too, there are often some circumstances, aside from taste and relative utility, which determine what can be sold in a given place. When the physical conditions of a market require a certain type of article, of course, that type of article must be supplied. But when our manufacturers come into competition with an inferior or antiquated article, it is up to our manufacturers to introduce the superior product by whatever means they may have at their disposal.

For example, you know as well as I do, that plows vary not so much with the taste of the plowman as with the character of the soil in which the plow must be used and the character of the animal which must draw the plow. Plows of different types are used in the different sections of the United States. Similarly, plows of different types are used in different foreign countries. The manufacturer, therefore, must find out the soil conditions and must export to a certain market the type of plow which the soil conditions there require. On the other hand, it is absurd to urge that the American manufacturer of locks should attempt to imitate the ancient lock which is still in use in South America, with a key so long that it must be folded in the middle in order to

be carried in the pocket. In that case our locks are superior and it is the duty of our manufacturers to introduce their superior locks. It is not their duty to ape their competitors and they will not permanently secure foreign markets by merely imitating an inferior and antiquated product.

It is a part of the executive policy, therefore, with reference to foreign trade, to decide those general and preliminary points before embarking on a serious campaign to get trade in any foreign market.

III. Deciding on a Selling Policy

The manufacturer who has decided to go into foreign trade has at his disposal three essentially different methods of doing business:

First, selling direct; second, selling through a manufacturer's agent; third, selling through export commission houses.

Under direct selling I include the direct exploitation of foreign markets through salesmen, branches, exclusive dealers, or through the mails.

It has been my privilege during the last few months to meet many manufacturers who have gone in for foreign trade or were seriously looking in that direction. I must confess my surprise at the very limited knowledge of many of them, and at the amount of misinformation which most of them had acquired. I believe that I can best place before you the points that I wish to raise by asking some pertinent questions, which I hope you will each ask yourself and apply to your own business and experience.

Let me first suppose that you have decided to go into the business direct; that you have decided to eliminate the export commission house and the manufacturer's agent. There are some problems in this connection which I want to put up to you for decision. Have you decided this after carefully investigating the alternatives that are open to you; after carefully investigating the services which certain professional export agencies are prepared to render you? Or, has your prejudice against the middleman hastened you to a decision? Have you decided to establish your own agencies, or to send salesmen, or to do your business by mail? Have you decided where your agencies will be located? Have you decided how you are going to pick the managers of these agencies? Do you think a native of the country is to be preferred to an American? Have you decided as to the type of man who is particularly fitted for an agency in a given

country? Have you decided to back up your agencies with a selling force? Have you decided where and how you are to obtain your salesmen? Have you located a supply of salesmen speaking the language of the countries where they are going? With reference to China, for example, have you considered the bearing of the compradore system on your sales methods? Have you decided to send salesmen to China in the expectation that they will be able to do business with the retailer or even the large native jobber? Have you considered the necessity of making a thorough study of the consular regulations of foreign countries? Have you considered the necessity of making a study of the tariffs of foreign countries? Have you found a man who is familiar with foreign tariffs and consular regulations, who reads the languages of these various countries, and who can take the original documents with all their official, complicated and technical terminology and translate them into understandable and usable English? Have you decided to collect for yourself complete information with reference to shipping routes, rates and documents? Have you decided to select salesmen with a knowledge of your business, or have you decided to select salesmen with a knowledge of the language of the countries to which they are going? Have you worked out in your plant or in your business a method of training salesmen—because, I warn you, salesmen ready-made for foreign trade are not easily to be found? Have you carefully considered whether the line which you are manufacturing is a simple line which can be readily handled by unskilled and perhaps untechnical salesmen, or whether your line is one which requires skilled attention and technical knowledge? And have you decided as to whether or not you are going to supply any service? If your product is a mechanical one, have you decided whether or not you are going to send out mechanical experts and attach them to your agencies? Or, do you expect to have them traveling in the countries where you are selling your goods? Of course, you realize that service is an important feature in selling. Therefore, have you considered the necessity of having a complete service department in connection with each one of your foreign agencies? Have you studied the patent laws of the foreign countries where you expect to do business? Are you prepared to go to the trouble of registering your trademarks in foreign countries, and are you fully aware of the many pitfalls in connection with the patent regulations and trademark laws in foreign countries?

I might go on with my questions but I am sure that those of you who have decided to do your export business direct have already considered them, and that your export managers are already walking encyclopedias, fairly oozing with foreign trade information.

The Export Commission House

Let us now suppose that you have decided to do business through a commission house. My questions, however, may interest all those in the export business.

Have you chosen your commission house? Perhaps even more important, have you decided whether you are going to do business through one commission house or through several commission houses? Are you aware that many commission houses are excellent, many are good, and as in any line of business, some are decidedly indifferent? Have you carefully considered the fact that some commission houses do a large business in one part of the world and do no business in other parts of the world? Even in restricted sections of the world, as for example in South America, one commission house may do a very large business in machinery on the West Coast and may do no business in machinery on the East Coast; while on the other hand, another commission house, perhaps located around the corner, may be doing a very large business in machinery on the East Coast and no business in machinery on the West Coast. Have you, therefore, made a careful study of the export houses with a view to determining which of them are best prepared to handle your particular goods in given foreign markets? Then again, have you decided to do business in a given market with one commission house only, or are you going to establish relations with several commission houses in the same market and let them compete for your business? Some of the very largest exporters in the United States do business through commission houses, and in certain foreign markets those largest exporters maintain their own offices not so much for the purpose of making sales as for the purpose of helping the export houses to make the sales for them. Do you clearly understand the financial strength of the export houses? Do you realize that in many parts of the world the export houses financially back many of the most important enterprises and that one export house may be backing a railroad development; that another may be backing some sugar plantation; and that even in the same market different export houses may absolutely hold in

the hollow of their hands certain very large and important sections of the trade? And doesn't that mean that if you put your business in the hands of a single house you may thereby effectively close the door to certain other very rich markets in the same territory? Now have you considered all of these points? Then, having chosen your commission house or commission houses, and having decided on your policy with reference to the commission houses, are you going to let the export house go it alone, or are you going to support its efforts? Are you going to advertise in the market with the idea of supporting the sales which are to be made through the export house? And here is an important and vital question: do you think that you can get real sales service on a commission of $2\frac{1}{2}$ per cent., or even on a commission of 5 per cent? Do you think that any organization can give you in any market real sales service for $2\frac{1}{2}$ per cent., or 5 per cent? What is your sales expense in the United States? Do you appreciate the fact that your sales expense in foreign markets is likely to be greater than at home? How then do you think that you can get the kind of service you want from the export house doing business on a $2\frac{1}{2}$ -per cent. commission in a foreign market? You can scarcely compare the results obtained with those obtained from your own organization in the domestic market. If you think that the commissions are not adequate, are you prepared to give a larger commission to an export house for exploiting your goods? Or still better, are you prepared to send a demonstrator or a salesman into a territory to support the activities of the export house, and are you prepared to back him up by an advertising campaign and by a circularizing campaign? Are you willing to give the export house an advertising appropriation? Finally, is it your intention somewhere way in the back of your head or down in your heart to let the professional export man build up the business for you, to break the ground, to blaze the trail, and then do you expect after a profitable business has been developed, to take the business away from him? Do you realize that with the exception of Europe, the major part of our export business is handled through professional export houses? Do you realize that up to the present time they have been and perhaps for many years to come they will be one of the most important factors, if not the *most* important factor, in the development of our foreign trade? These are problems which should have your very serious attention.

The Manufacturers' Export Agent

Let us suppose now for a moment that you have decided to do business through a manufacturers' export agent handling your line together with other lines. Many of the questions which I have asked you with reference to the export commission house are equally applicable to a business conducted through a manufacturers' agent. But there are one or two other questions which I would like to put to you for consideration, with special reference to this method of doing an export business. In the first place, would you be willing, if you were considering the development of a business in California, to put the representation of your goods in the hands of an agent who had taken your line, let us say machinery, and intended to handle it in conjunction with office furniture, flour, chemicals, needles and other notions? Do you think that you would be able to get the kind of sales service which you require? Supposing that you were a manufacturer of brass beds, would you be willing to put your agency for the Pacific Coast in the hands of a representative devoting himself exclusively to furniture and handling other lines of household furniture together with refrigerators, lamps, bedding, desks, bookcases, filing devices, etc? In other words, would you be willing to place your interests in the hands of a specialist? Or, would you place them in the hands of a general agent? Do you believe that any manufacturers' agent will put as much time and as much energy into the development of a line from which he cannot get large returns as he will put into a line from which he can get very large returns?

To a considerable extent the questions which I have raised with reference to backing up the export man in his effort to develop a foreign market, apply with equal force to the decisions which you must make in building up a foreign market through the manufacturers' export agent. You must decide for yourselves the percentage of commission and the amount of appropriation that you think, after a careful study of the market, will give you a real selling service in that market and will produce real results.

As a matter of fact, and of greatest importance in connection with your selling campaign, have you decided to do your business in all parts of the world in exactly the same way and by exactly the same methods? Is it your idea to handle the Canadian market in exactly the same way in which you would handle the

Chinese market, or the Indian market? Is it not possible that for the particular kind of goods which you are manufacturing the attention of a commission house may be required in one part of the world and direct selling in another, and perhaps in still a third you may find it worth while to do business through a manufacturers' export agent? And if you think that a combination of these methods would be most satisfactory, have you decided in what markets to make use of that method of selling? But a combination of export methods again brings in its train many knotty questions. You are at once involved in the difficulties of protecting certain markets for your own or for your exclusive agencies. It is the common practice among export houses to refuse information as to the name of the customer and occasionally as to the destination of the goods. If you are to protect your agents it is essential that you should know the destination of your goods. Are you prepared to require that information of your export houses? And are you aware, as one export man put it to me, that "the refusal of the export house to reveal destination means that there is some funny business going on somewhere?" This did not, of course, refer to the customer's name. You must, therefore, in order to work out a successful combination of methods have a thorough understanding with each of your representatives and customers.

The Advertising Problem

In connection with your selling campaign in foreign markets, have you decided to advertise? Have you decided to use the many excellent export periodicals which are at your disposal? Have you decided to use the native papers printed in English or in the native language? Have you decided to set aside an advertising appropriation equal in size for the same volume of business the advertising appropriation which you would set aside for use in the domestic market?

Is your advertising problem that of introducing your firm and its branded goods? Is it the problem of creating a trade demand for your goods? Is it the problem of creating a consumer's demand? Is it the problem of meeting competitors already existing in an established market? Or, is it that most difficult problem of introducing an article for which no demand exists?

Is it the purpose of your advertising to secure direct orders? Is its purpose to secure commission house orders? Is its purpose

to precede a local selling campaign? Is its purpose to follow up and keep alive the effects of a local selling campaign?

Have you decided to employ a special man who is familiar with advertising conditions in foreign countries and with the periodicals which exist there, and who is able to criticize your advertising from the point of view of the psychology of the market which you are exploiting? More important, have you located your man?

Have you decided to carry on a campaign of circularization? Is this campaign of circularization designed to solicit orders direct or is it designed to assist your salesmen or to assist your local agencies, or even to assist the retailer? Here again, are you prepared with the proper translating service to write circulars and letters which will be in the language of the country, in the idiomatic language of the country, and not in a "pidgin" language which will expose you to the ridicule of your would-be customers?

What inducements are you prepared to hold out to an exclusive local agent? What would you think of this proposition, which a prominent exporter considers a fair one! "(1) Exclusive rights for ten years; (2) Services of a salesman for six months during the first year only; (3) \$5,000 for publicity during the first year; (4) Correspondence by the company with 10,000 prospects; (5) Ten demonstrating outfits free; (6) Entertainment of twenty biggest users of the product during the first year. The agent must guarantee a certain minimum amount of sales."

Now these are only a few points which you as a manufacturer should consider before embarking on a foreign selling campaign, and they and many others are points which you should decide before you send a salesman into the field, before you establish a single exclusive agency, and before you make any proposition to any professional export concern.

IV. Deciding on a Home Export Policy

I wonder if most of the manufacturers who intend to embark in the export trade realize that a definite policy must be adopted at home as well as in the foreign field? As a matter of fact some of the most important decisions which the manufacturer can make with reference to foreign trade are to be made at home, with reference to his home organization, with reference to his methods in the United States, with reference to production

in his plant, and with reference to matters which are seemingly not directly in the foreign department.

Are you, as a manufacturer, going to manufacture for export; or are you going to export what you have manufactured? The difference between these apparently similar questions is the difference between success and failure. I have already referred to the plow manufacturer and I should like for a moment to carry that illustration a little further. I know of one plow manufacturer who sent a man to Argentina. It was his business to get the facts about conditions there. He actually worked in the fields. He found out exactly the kind of a plow suitable to that particular trade and to those peculiar soil conditions. He sent a cablegram, at a cost of many hundred dollars, instructing the manufacturer in detail as to changes which must be made in order to meet the conditions in Argentina. But the superintendent objected. "We can't make those changes," he told the manufacturer. "It would involve the alteration of our entire manufacturing methods." But the manufacturer knew his business and he knew his man and so he said to the superintendent: "I have confidence in the man I have sent to Argentina and the plows for that market are to be made in the way which he desires. You follow his instructions." The result was a large, profitable trade built up in Argentina. That is what I mean when I refer to a home export policy, and this illustration also shows the need of executive, high executive, direction.

Another manufacturer, about the same time, without investigating and without adequate preparation, sent a consignment of plows to Venezuela. When the plows got there it was found that they could not be used for the simple reason that instead of horses, oxen are used and the plows are attached to the horns. This gave the plow such a tilt that the share would not go into the soil. The result was that the manufacturer lost not only the cost of the plows, but also the freight, the duties and all of the other expenses attached, a small item of some \$2,600.

Are you, therefore, as a manufacturer, prepared to meet the needs of the markets and are you prepared, when it comes to a matter of taste, to meet the tastes of the markets? Are you prepared to readjust your factory processes to meet the export situations that involve conditions somewhat different from those which you may have to meet in the domestic market?

Now do not misunderstand me. I am not urging that you should so vary your manufacturing methods as to lose economies

which result from standardization or large scale production. The very fact that you have a standardized product and the very fact that your production is on a large scale may be your export salvation. It may mean that you are able to place a high grade product in a market which would otherwise be inaccessible to you. The great advantage which the American manufacturer has in competition with his rivals abroad is that he has a standardized product manufactured on a large scale. Perhaps one of the best illustrations I could bring to you is the matter of cotton goods. European manufacturers, particularly English manufacturers, are prepared to manufacture short lengths of different patterns and different qualities of different types of goods. They have developed their manufacturing methods in such a way that it is possible for them to compete with American manufacturers; in fact, to undersell them where the lengths are short and the quantities are small. But where cotton goods are wanted not by hundreds of yards but by miles, American manufacturers of cotton goods have told me that they can compete with and can undersell any other manufacturers in any market in the world. A similar illustration might be drawn of a popular automobile which competes successfully with automobiles manufactured in other countries. It is able so to compete because a single type of automobile is turned out. It does not vary even by the color of the machine. It is fruitless and irrelevant, therefore, for the agent of that automobile in Java to say that if it were painted red it would have a larger sale in Java. As a matter of fact, if the style of the automobile were varied even by so small a matter as a coat of paint, the cost would be disproportionately raised and it might not be able to compete at all.

Some other questions with reference to your home export policy: Are you prepared to pack in a way which will guarantee the safe arrival of your goods in foreign markets? Are you prepared to pack according to instructions which are sent to you by your foreign customers or by export houses through whom you do business? Are you prepared so to arrange your shipping department and so to alter your packing methods that you will be able to meet the requirements of your foreign buyers? And are you prepared to ship not only as instructed but when instructed? Are you prepared so to adjust your shipping methods that when goods are wanted for shipment on such and such a steamer, they will be shipped on such and such a steamer and will not be delayed by so much as an hour, because the delay of an hour here

may mean the delay of a month at the other end? These are things which you must decide and these are ways in which you must support your foreign sales campaign in your own organization at home.

V. Deciding on a Price Policy

And now having decided the few questions which I have raised so far, we come to another and important policy to be determined, and that is your price policy. The first and most important question is—what is to be your export price? Is it to be the same as your domestic price? Is it to be higher than your domestic price or lower than your domestic price? Are you prepared and do you intend to protect your export house on matters of price? Do you intend to make the same price to any inquirer, however small or however little known, in a foreign country, that you would make your export house, which is handling the bulk of your export business? Or supposing that you have established an exclusive agency in some foreign market, do you propose to give any importer or dealer in the same territory the same price that you give the agency? Or, if you have decided to go into the business direct and through your own representatives and agents, do you intend to give to the importer located in a foreign market exactly the same price that you are prepared to give to some small dealer or retailer or occasional inquirer? Do you intend to carry the careful distinction between jobber and wholesaler which you make at home into the foreign market? In other words, the same questions of price policy come up for decision in the foreign market, with even additional complications, that come up in reference to the price policy in your domestic market, and they must be decided with greater care on account of the distance and possibility of misinterpretation.

Just here let me take occasion to point out a fallacy which often is characteristic of our discussions of foreign trade, and that is, that price is the most important element in getting export trade. Price is an important element but there are other elements which are just as important. As a matter of fact, American goods have made themselves popular the world round not because they are low in price, for some of them are not, but because the buyer in foreign countries usually knows that when he gets American goods he gets quality, and for that reason certain high-priced articles of American manufacture are known and preferred everywhere. Our manufacturers have stood solidly on the basis of quality and have not altered their prices and have not altered

the quality of their goods to meet foreign competitors' prices. There are other important elements, as for example, service. Price and quality are often comparatively unimportant without adequate service. If the American manufacturer develops in foreign markets the same kind of service that he gives in domestic markets, he is sure to win out. Price becomes, therefore, not the most important item in getting an export business but only one of the important elements.

Finally, do you intend to dump your surplus production in foreign markets? If you have decided to dump a surplus product in foreign markets at prices lower than those which you charge in domestic markets, have you fully taken into consideration the fact that you have made the definite decision that you are not going into foreign trade? Do you realize that when you have decided to dump your products abroad you have decided on a temporary price policy unless you are fully prepared to continue the definite and permanent policy of selling in foreign markets at a price lower than your domestic price? If, however, you sell at a lower price in a foreign market merely in order to get rid of a surplus product, you are doing the thing which is best calculated to close up your foreign trade at an early date.

VI. Deciding on a Credit Policy

Now we come to the very marrow of the whole export problem. Are you, or are you not, prepared to give credit to foreign purchasers?

You have at your disposal in financing your export shipments seven important methods. I enumerate them in this inaccurate way merely for convenience:

- (a) Cash in New York or cash with order.
- (b) Cash against documents.
- (c) Sight draft.
- (d) 30 days sight.
- (e) 90 days sight.
- (f) Long time credits with interest.
- (g) Open account or open credit.

If you are going to do a direct export business and do not expect to use either the manufacturers' agent or the commission house, we can at once discard the first four methods, because you might as well get this fact clearly in mind now as some time later, after bitter experience, that you cannot develop a direct export business by demanding cash in New York, cash against

documents, sight draft or 30 days sight. The usual terms for export business outside of some European markets are 90 days sight and longer. Nor can you argue from the experience that you may have had during the last few months that you will be able to do the business differently when conditions are normal once more. The present conditions are most extraordinary. Foreign buyers who are willing to pay you cash in New York at the present—especially is this true of European buyers—will not do so after the present extraordinary conditions have ceased to exist. You must face the fact that if you intend to do a direct export business you must be prepared to finance your shipments at 90 days sight or longer. Now this statement does not mean that you can not do an export business on any other basis. It means that if you want your money in advance or in cash you must do business through a middleman. I cannot put this too emphatically, because there is no other alternative.

One of the chief functions of the export house, and the function which will probably develop increasingly during the next few years, is to finance your shipments when you desire or demand cash at the seaport. The export house is prepared to finance shipments abroad when the manufacturer is unwilling or unable, either with his own capital or with what credit he may have at his bank, to finance his export shipments. It is worth while for you to recognize this fact when deciding on the method which you will use when inaugurating your foreign trade campaign.

Are you prepared, therefore, to make the decision whether you will extend the usual and ordinary terms of credit in foreign markets, or whether you will demand cash payment in New York? If you have chosen the latter course, are you prepared to do business through a middleman? And if you decide to do business direct and on the usual credit terms, are you prepared to establish a foreign credit department? Are you prepared to collect the necessary credit information? Are you prepared to take the usual credit risks? Are you prepared to get the information with reference to foreign credits which can be supplied to you by the National Association of Manufacturers, by the Philadelphia Commercial Museum, by banks doing a foreign business, and by the commercial credit agencies? In addition, however, are you prepared to collect a considerable amount of credit information at first hand and through your own personal representatives?

This is another of the important decisions which you must make before initiating your foreign trade campaign.

VII

Having reviewed *briefly* some of the important questions which you must decide before embarking on a foreign trade campaign, let me call to your attention some of the important factors which will play a part in determining your decisions on each of these points. I will only enumerate them:

- (a) What is the volume of your business?
- (b) Is your business in a staple commodity or is it in a specialty or specialties?
- (c) Is there a large or small margin of profit on your sales?
- (d) Is your product one which can easily be shipped without deterioration?
- (e) Is your product one which is in need of constant and personal sales attention?
- (f) Have you a considerable amount of capital in your business, capital with which to extend your business, and is your credit at your bank in A1 condition?
- (g) Finally, have you plenty of business brains and horse sense in your organization?

Perhaps I have emphasized the difficulties in the export trade more than I had intended. I know I have omitted to mention the advantages and rewards which follow the building up of a great foreign trade. The live manufacturer, however, doesn't need much prodding to make him see the advantage of a great international market for his products. It is only the old-timer, the manufacturer of narrow and restricted outlook, who doesn't see the concrete benefits which he may obtain. That manufacturer would scarcely be at this meeting. I can, therefore, I venture to hope, leave the painting of the brighter parts of the picture to the other speakers, and to you manufacturers who see better than any of us, the real advantages in foreign trade.

In every point which I have made, I have tried to emphasize the necessity of taking up export problems in exactly the same way in which you would tackle your domestic problems. The problems are differently clothed, the conditions vary, the language is unfamiliar, but the essentials of business success are the same.

The export business is one in which you manufacturers meet not only your competitors in this country but your competitors

in other countries. It is a business in which you go forth relying only on your own skill, your own enterprise, your own ability, your own efficiency, to meet an opponent who is likewise relying only on your own skill, your own enterprise, your own ability, The export business should appeal to every American manufacturer who believes in himself and who prides himself on his ability to succeed.

I thank you very much. (Applause.)

THE CHAIRMAN: Gentlemen, I have always had the greatest hopes for our foreign trade, and I want to say to you now that my hopes have never been so high as they are at this moment, when I know that this great government can take hold of such men as Dr. Pratt and put them into the harness to help us do our work. (Applause.)

We will now have a discussion upon this matter, and I will ask if Mr. Charles Denby is present, vice-president of the Hupp Motor Company. He has been selected to open the discussion. He does not appear to be here now. The discussion, therefore, is in the hands of this assembly. Will someone speak to the question?

DR. KRYSHTOFOVICH: I thank Dr. Pratt very much for his able address. He is a wonderfully inquisitive man—he put so many questions—I think about two hundred if one—that I am afraid that he has completely terrorized American manufacturers here by asking them so much “Are they ready,” “Are they prepared,” and so on.

For many years I was living in this country, and my opinion is that American manufacturers and American business men are extremely bold at home and extremely timid abroad.

By putting so many questions of an intimate nature, of course, you make export business very difficult; but I am afraid that American business men are so busy—in one newspaper I found a good explanation—the American business man is so busy that he cannot realize how happy he is.

I say if American manufacturers should try to answer all of these questions which have been asked by Dr. Pratt he would be completely terrorized, and would be afraid to go ahead.

I think, Dr. Pratt, it would be well to encourage him a little more.

Let me give you a little instance, which may seem somewhat strange.

One of the officials of a large exporting house in New York told me a story. Their president went to Russia and wanted to start a large business, but the president was a little nervous and besides did not speak Russian. So he came to Moscow and came to some warehouse and tried to find out prices and conditions. Unfortunately, our people are very slow. He began to find out prices and to change from Russian money into American money and from Russian measures to American measures, and this gentleman was so much tired that he went away from Russia and does not want to go there again. (Laughter.)

THE CHAIRMAN: Is there any further discussion?

MR. FLAGG: I would like to ask Dr. Pratt whether the figures which he gave as to the relative increase in commerce of this country represented the increase in total commerce or whether it was the increase in our exports to those countries. He mentioned Australia, I think, as being about 75 per cent. Is that the total commerce, or is it exports from this country?

DR. PRATT: Those are exports from the United States. I have compared the four months, June, July, August and September, 1913, with the same months, 1915, because it was in June that this rather new wave began. It was about June that there seemed to a turning point from the old down grade to the new up grade.

CAPT. WHITE: I would like to ask Dr. Pratt what the effect of treaty relations or the lack of treaty relations is going to be upon our export trade?

DR. PRATT: That is a rather large question. It could scarcely be answered in a few moments.

I think that commercial treaties which other countries may enter into following the European war and which we may enter into with other countries following the European war are perhaps one of the most essential parts of a government policy with reference to foreign trade.

I believe that we are now making preparations for such commercial treaties to go into effect after the European war, and I think that there will probably be no more important duty before the government with reference to foreign trade than the formulation of those treaties.

MR. MONTT: I want to avail myself of the opportunity to ask Dr. Pratt, now that we are talking of business after the war: Are you bullish on South America after the war is over or are you bearish on it? You mentioned the fact that the rates of

labor abroad will be higher, on account of the reduced supply, and you say that taxation will add to the cost of production in European countries. I think further that the depreciation of the currency in Europe will have a very decided effect in raising wages in Europe after the war is over, and would keep the wages high for a long time, even after the currency goes back to normal value. I have had very hot arguments on this, and I know some people have just the opposite view. I am bullish on South America myself, because I believe in it, but I would like to hear what Dr. Pratt has to say about it, what he thinks frankly upon the whole on that subject.

DR. PRATT: That is another big contract. (Laughter.)

Of course, South America and China are the only two large markets which are now out of the European conflict, with the exception of the United States; and I feel that the United States and the manufacturers of the United States are going to be in a very much better position to compete in those markets which are now entirely outside of the range of hostilities than they have ever been before, because it seems to me, as I said very briefly in my first remarks, that there are decided reasons why the cost of production and prices in general are going to be decidedly higher in Europe than they have ever been before. I said that I thought wages would go up because there is going to be such a labor shortage, that capital will be more expensive, because it has been wasted; it has not been devoted to productive enterprises during the last year, and perhaps for many months to come it will not be. But there is going to be a tremendous burden of taxation on the manufacturers which is not being met out of the present income at all; it will be spread out over the next fifty or seventy-five years.

All of those things, it seems to me, are going to raise the level of prices in Europe to a very large extent.

We are experiencing a certain rise in prices in the United States, but I do not believe that that rise in prices is going to come near equalling the rise in prices and cost of production abroad.

Not only is this increase to be expected on theoretical grounds, but if you will go back into the history of every considerable war during the last century, you will find that after the Napoleonic War, the Crimean War, the Franco-Prussian War, and last of all the Russo-Japanese War, wages, especially in the skilled trades in the countries affected, went up considerably.

In Japan, immediately after the Japanese-Russian war, in some skilled occupations the increase amounted to as much as eighty per cent. The same thing is true of capital. For example, the London bank rate, which stood at an average of about three per cent. for ten years preceding the Crimean War, stood at $4\frac{1}{2}$ per cent. in the five years succeeding the Crimean War.

The same thing is true after every one of the large wars during the last century. If you can definitely get a period before and after to compare, you will find that in each one of those instances the rates of labor, capital and taxes have been considerably increased; and it is also shown after our own Civil War by a standard of gold prices.

So that I believe, on the basis of experience and whatever logic there may be in my reasoning, at any rate, that we are going to have a period of very high prices in Europe, and that we are going to more nearly—or rather, to put it the other way—that European nations are going to more nearly approach our price level than ever before. (Applause.)

MR. MONTT: Thank you.

MR. COWLES: I would like to ask Dr. Pratt a question. In the first place I want to state this: I noticed, within a day or two, that Germany and Austria are preparing for absolute freedom of trade between those two countries. I noticed that when our States were brought together, about the first thing done in 1787 was to provide for absolute freedom of intercourse between all the States of our Union.

I would like to ask what Dr. Pratt thinks would follow a federation of the world, if you please, absolute freedom of intercourse between all the people of all the different nations upon the trade of this country with the outside world?

THE CHAIRMAN: Dr. Pratt thinks this is a question that is a little bit too large for him to consider at this time. I think myself it is a very comprehensive one, and embraces about everything in the universe.

MR. COWLES: May I say just one word as to that?

THE CHAIRMAN: Surely.

MR. COWLES: When our ancestors came together in 1787 they found my little State of Connecticut practically at war with the State of New York. Every other State in the Union was practically in the same condition. In order to bring them together, and in order to have prosperity between the States in the Union, they provided as the very first characteristic of our Federal Con-

stitution absolute freedom of intercourse between all the people of all the States. Is that anything strange, anything new?

Haven't we tried it out for one hundred years with wonderful benefit to every man, woman and child throughout the United States of America, and if it is well for the United States of America, would it not be equally as well for the United States of the world, the federation of the world, the dream of Tennyson, the dream of Montgomery Blair, the dream of Lincoln?

Is it strange, does it require any great amount of thought to know that the abolishment of the obstacles that separate nations, the binding of them together by a great postal service covering the entire business of public transportation and transmission, would put an end to war and bring prosperity to every human being throughout this entire planet? Isn't that absolutely true?

At the Economic Club here last winter those things were thrown out, and it was stated that you could never do away with war, that you could never have peace until you did away with the legal barriers that separate men and nations.

You have got your ships. The government of the United States today is nothing but a joint stock corporation that has been formed for the benefit of all of us and for the benefit of all the world.

The United States of America, as the leader of the world, ought today to offer freedom of intercourse to the people of all the States; and if they do it to South America at their next meeting I tell you there will be such an era of prosperity here and throughout the whole of this America as the world has never known. (Applause.)

THE CHAIRMAN: Gentlemen, we have with us the Honorable A. B. Farquhar. I know of no man here who is better able to respond to the sentiment which has just been expressed than Mr. Farquhar.

MR. FARQUHAR: It may not be popular with manufacturers generally what I have to say, but I fully concur with all the speaker has just said, every single word of it, although I have been a manufacturer for sixty years, and I have been exporting for about fifty years. I endorse every word that he said. It was a most luminous oration, but he is connected with the Government, and the questions of tariff have unfortunately become political questions. They have no business whatever in politics. They have nothing whatever to do with politics. Tariffs should be settled by business men, men that are acquainted with the subject. (Applause.)

A tariff commission of experts will eventually be formed and must be formed at the close of the war.

We cannot do away with tariffs at once, of a sudden; it must be a gradual process; it must be done in a way not to disturb and upset trade relations. The present system of making tariffs does disturb trade relations very seriously. A commission of experts such as they have in England and France and notably in Germany arranges the tariffs so as not to affect business at all.

Eventually we should have free trade throughout the world. (Applause.) It will come with the dawn of the millennium; there is no question about that. It eventually will come, and we must recollect that free trade with South America was the dream of James G. Blaine, who was a notable tariff man. (Applause.) He advocated free trade throughout the Southern republics and the United States. I think nothing would do more to cement our trade and enlarge our trade and make it permanent than to have free trade between South America and the United States. That could be brought about as a trial, without injury to anybody and with benefit to everybody.

MR. COWLES: I want to say that the tariffs between the States were abolished at one stroke by the adoption of the Federal Constitution in 1787, and immediately prosperity followed.

CAPTAIN WHITE: May I have about three minutes to answer these gentlemen?

THE CHAIRMAN: Surely.

CAPTAIN WHITE: The reason that free trade was successful in the United States was that the condition of the people in the United States was practically the same all over the United States, the condition of labor, the condition of the individuals in their relations to each other. My friend shakes his head (Mr. Cowles).

I have seen a thoroughly healthy, wholesome, hearty Chinese subsisting partially on the food that was thrown away from a man-of-war. There are three hundred and fifty million Chinamen. The Chinese can make anything under the sun that anybody else can make, given the capital and a little instruction. They are willing to work for less wages. (Applause.)

MR. COWLES: The cheapest labor in the world is the American mechanic.

CAPTAIN WHITE: I beg your pardon, he is the most expensive.

THE CHAIRMAN: Now, gentlemen, I think the discussion of this matter has gone just about far enough (laughter), and

the time for its consideration has fully expired, so we will pass on to the next subject for consideration, which is: "Credit and the Future of American Foreign Trade."

This paper has already been distributed among you and treats of a subject of great importance under the present commercial conditions that prevail throughout the world.

The author of it is a gentleman who is not only the banking adviser of the National Association of Manufacturers, but is one who has had especially wide experience in business and financial affairs generally, not only in the United States but in other parts of the world.

I have great pleasure in introducing to you Mr. V. Gonzales, who will address you on this subject. (Applause.)

Address of Mr. V. Gonzales

MR. GONZALES: Mr. Chairman, Ladies and Gentlemen: I do not know that any of you have had the patience or the time either to read my paper, but please do not be alarmed, I am not going to read it or speak of it. I am simply going to say a few words in what may be called tablet form. Before saying them, however, I wish to make my position clear. It seems that because my name is so Spanish and because I am a South American by birth that every time I stand up the people expect me to speak about Latin America. I am not going to speak about Latin America.

A gentleman came up to me and spoke to me in the hall, and wished to compliment me on my paper, and said that he had read it and had been very much interested in it, and he said: "How could you find so much to write about South America?" There is not a single word about South America in it. (Laughter.) It was just one of those complimentary lies that you have to take.

It is true that a few months ago I had the great honor of being appointed delegate from one of the South American governments to the Pan-American Financial Conference. I accepted it because the interests to be discussed there were not in conflict with the interests of this country. (Applause.) I am living here and I am serving this country. I am doing more than working with you; I am working for you. (Applause.) I may have a lot of defects; I know I am very stupid, but there is one thing I do have and that is loyalty: I believe that a man owes loyalty

to the country where he lives, and that if he does not feel that way about it he should get out. (Great applause.)

Now you will allow me to come back to life. (Laughter.) I compare the present situation through which we are passing—and you will understand that when I say “we” I mean you and I, this country—I compare it to those rich pockets of ore that are found in the earth sometimes, and which deceive miners very often. But even gamblers, as the miners are, try to ascertain how big the pocket is. We have struck one of the richest ore pockets in the history of the world, and we do not know how big it is, how rich it is; and, worst of all, we cannot ascertain it. There is no means. Nobody knows how long this unfortunate war is going to last, nor what the effects of the war are going to be. Nobody knows what is going to happen; but for us a great deal will depend on what we do at this time.

Business and Sentiment

We are receiving a lot of money and bonds from other countries. That increase of income that we are receiving is turning around and around and around, just like the dogs before they go to bed (laughter), and is putting in motion a lot of the small wheels of our activities; but if we do not know how to apply the profits we are earning, we are going to find ourselves, perhaps—I hope I am mistaken—at the end of the war with the ill-will of the whole world. I hope I am mistaken.

I am not allowed to pronounce the names of countries, but you know—um-m, um-m—they are not going to be thankful at all for paying exorbitant prices for the articles they need, and when every dollar wasted may mean their ruin—and—um-m, um-m, somebody else—is not going to be thankful for that, either; and the neutral countries are not going to be thankful, because we have done absolutely nothing for them.

I am very sorry if any of my remarks are out of place, or perhaps impertinent, but I am supposed to speak the truth, and the truth is not always pleasant. What have we done for the rest of the world? Nothing.

For sixteen months we have been pulling the strings for ourselves only, and each one pulling his own strings, too—not even a concerted movement to pull the strings together (laughter); and, unless we make those ties and affiliations of trade that will be lasting after the war, we will find ourselves, as I said before, perhaps hated by the whole world.

If you heard the people speak, as I have heard the people speak in my office, when they go back to their homes disappointed on coming here and being refused credit, you would know what I mean. They are obliged to buy for cash, as a rule. They buy what they can and they protest about it, and they go back to their homes with vengeance in their hearts, and prepare to go back to Europe just as soon as Europe is again on its feet.

I have nothing to say in reply to that, because they are right. If you could read the letters of the people from other countries who complain about this same situation you would realize how true these words are.

Now, no country in the world is demanding charity. Nobody wants to receive subscriptions for the poor. What they want is commercial and financial credit, for commercial and financial purposes.

I have been asked many times in the office why the foreign buyer needs more credit than the home buyer. I have told them—a childish answer, perhaps—because they need it.

A Comparison of Banking Facilities

You must have in mind that in not any country in the world have they got the facilities that we have in this country. Can you realize that we have here 30,000 banks for 100,000,000 people? They are big and small, but they are turning over the money to the community, promoting, creating, fostering local credit.

Fancy China, with its three or four hundred million people. They should have 120,000 banks. They have not got ten. Latin America has 75,000,000 people. They should have 22,000 banks, if compared to us. Perhaps they have 100. The means of creating and turning over local credit are not so ample as they are in this country. The people have less accumulations of wealth. The amount of money that is devoted to commercial purposes is smaller; and then, above all, you have the advantage of distance. It is very easy for you, here, to fill an order for San Francisco from New York in about a week. If you have to send it in a rush, you can send it by express, in six days. But fancy, in Buenos Aires they need thirty days to get the goods. In Cape Town, in Calcutta, in any part of the world, how can they renew their stocks as quickly as your merchants do here?

That obliges the merchant abroad to carry six or seven times

the amount of goods in stock that you carry here. The American manufacturers say sometimes that they do not care to go down there, because credit in this country is safer than in other countries. That is absolute nonsense. The honest man is honest here or in Afghanistan. (Applause.) The man who will pay is just as near to you in 42nd Street as he is in Calcutta; and the man who will not pay is just as far from you in Jersey City as he is in Buenos Aires. (Applause.) The merchant abroad may not speak the English language; but, for God's sake, a man does not necessarily have to speak the English language to be honest. (Laughter and Applause.) And they speak about the laws, and they say that the laws of the other countries do not give the American manufacturer protection. The laws! But the business that requires the protection of the law is not the one you want to go after. If you cannot do business with a man without the law, don't do it at all. The law will not protect you any better.

Those countries abroad have had their credit facilities and their credit machinery tied up to London. London was, as you all know, the commercial and financial center of the world. Unfortunately, this war has disabled it, perhaps for a time, perhaps forever.

Who is going to take that place? What city, what country, is going to take the place of London? And the world needs it, and it is not only the matter of financing shipments, but it is also the matter of selling the goods.

You could buy in London everything that was produced anywhere in the world, and you could sell it in London. Now we have the problem of bringing all that trade to this country; not because we are going to snatch it from London, but because we have to take it. We have no choice. The world needs a place to take care of it. How can we do it, if you do not extend credit for it? London did not give its money, it is true. They gave the money of the other people—like the banks do (laughter); but it was all right, just the same.

London received the contributions of money and of products of all the world, and they distributed them again for the service of the whole world, at a profit. Why can we not do the same?

London Gave Before It Took

But you know London gave first, before it took. London extended credit to every part of the world. In exchange for

that they created a network of relations and commercial ties that are holding London still, in spite of all the calamities that have befallen them.

MR. FLEMING: What is the matter with New York being that center? (Applause.)

MR. GONZALES: New York should be the center (applause); but we have to do what London did. Please tell me the exporter of silk in Japan who would send his silk to a manufacturer in Paterson, New Jersey, with a bill on London at ninety days' sight. What is the difference for him if it is a bill on New York at ninety days' sight? He parts with his silk for ninety days, just the same. His receipts are tied to that draft until he is paid, whether it is paid by a London bank or by a New York bank. He gets no more for it. And, while we are absolutely eager to buy from everybody at ninety days' sight, we want cash. That is unfair.

I do not say that you have to extend credit to everybody and to every country. In the places where they are fighting and where the people have been killed and wounded and cannot attend to their business, how can you sell on credit? But, as to the other countries, where they are at peace, and where they are trying to come out of their troubles—half or more crippled—why can we not sell them on credit? Why can we not extend them credit?

You cannot throw on the manufacturer or the exporter the whole burden. The banks should do it. That is the function of the banks, to discount the paper on foreign countries, to assist the manufacturer. They do not do it for the love of Mike; they do it for their profit. (Laughter.)

Difficulty of Discounting Drafts

But whoever has been conversant with the manufacturers in the export trade in New York and other places in the United States can tell me how it is true that today you have to go and beg to get a draft discounted. Why should the bank care on what country the draft is drawn, or on whom, so long as the manufacturer or exporter is good? The buying of a draft is only loaning the money; and the man signing and endorsing it is always responsible.

The banks will say they have no connections. Some of you have suffered on account of collections since the war began.

Before the war the banks would assume responsibility for the collections they took in their hands. Now they will not do it.

If a bank in a foreign country fails, as some of them have, and they have failed to remit the money collected, the bank here will not make itself responsible; because they told you, when they accepted the collection, that they took it at your responsibility and at your risk. How can you work that way?

The uncertainty of these transactions is worse than if they did not exist; because you never know where you stand. Of course, this leads us to the point that you need American banks or branches, or whatever it may be, the means of banking *with* the other countries—not *in* the other countries. That is entirely a different matter.

Then, you know another point: consumption follows production. No country can buy more than it can produce. And the majority of the countries of the world have found themselves crippled for the lack of markets. The European countries, before selling the enormous amount of merchandise they sold—they bought, first. They bought the products of the whole world. And those products, in large part, today are unsalable.

It is not a matter of offering the people of all the countries of the world fine ports, fine landing facilities, fine places to store. You have to finance those shipments. You have to help the people. The problem is that you have to go and find out in every country what they have that you can utilize.

It is not a matter of going and finding that out as a matter of charity. You find it out for your own profit. Wherever there is a coal mine you can exploit it at a profit, for the development of that country will give it the means of buying more.

Influence of Investments

I never have believed that the investment of money in a country will drive that country to buy from the country that invested. To me, that has always been nonsense, because I have seen the results of it with my own eyes.

The foreign enterpriser that goes into a country is not looked upon with favor. Those people know that the foreigner does not go there to do any good to them, but to do good to his pocket; and the people become jealous.

The country is developed with the investments, but the investor does not care a rap whether the country is going to export more or whether it is going to export less. What he is

after is the dollars. If the investment is good he will get the money and the return from it. If it is not good—never mind if you tell him he is going to develop trade; he does not care—what he is after is the dollars.

The man who exports shoes from here to South America and the man who exports coffee from Brazil are different people. They do not meet in the road.

Of course with foreign money these countries are developed and that development gives them more means of buying, and they have a chance to buy; but they will buy where it suits them best.

You know that it takes the concurrence of very many factors to develop and improve foreign trade: shipping facilities, banking facilities, credit facilities, transportation facilities, price, quality, etc.; but nothing is equal to good will. (Applause.)

When the people are prepared not to do a thing, they will not do it, and it is on that point that I appeal to you gentlemen. I would like to speak broadcast, all over this country on this question. We must do something. Everybody has a little something to do. Everyone has something to do, something to accomplish. Let us work together, for God's sake. I have a very small part in this country. I am a very small part of the world, but whatever my share is, I do it, with a great deal of pleasure. (Great applause.)

(The full text of Mr. Gonzales' paper follows):

Credit and the Future of American Foreign Trade

By V. GONZALES

Banking Adviser of the National Association of Manufacturers, Delegate to Pan-American Financial Conference and Member of the International High Commission.

What is concerning the American people engaged in foreign trade is not so much what the world offers today in the matter of opportunities for expansion, but where and how our trade may stand after the war is ended. Fifteen months of abnormal conditions in every branch of international business have been enough to indicate what trade during war time will be. Our enormous export figures are easily understood even by the least keen observers. They do not necessarily mean an increase of trade but an extravagant increase of sporadic sales, the cause of which no one can wish to see steadily maintained. Our desire for trade should be along entirely different lines, to build and not to destroy.

While no one can foretell what will happen after the war, our situation will be greatly influenced by what we do during the time of the conflict.

The whole world was thrown into a chaos when the war broke out, and during the time transpired every country has been trying to overcome the calamity as far as it was individually concerned. Some have succeeded to a certain extent, others are still struggling, but not one has received any foreign assistance. The entire credit machinery became dislocated everywhere, and while it has been partially patched up in some places and domestic economic life has been maintained somewhat, international credit has remained more or less crippled.

This country has perhaps been an exception, as within very few months it fully recovered from the shock and has since been reaping the profits of an increased trade that came unsolicited and without any effort on its part. It will greatly depend on the use we make of those profits to ascertain whether this apparent wave of prosperity will prove to be a blessing or a curse.

Piling up money profits at the time that the entire world is suffering may mean in the end an increased amount of wealth to the country, but it cannot and will not buy any good will nor make any lasting connections for the future unless it will help others out of their troubles as well.

This assistance tendered to other countries, however platonically it may be looked at, is only a business proposition after all, and does not have to take the form of loans nor benevolent subscriptions to aid the needy, but simply and purely the affording of commercial and financial credit for commercial and financial purposes.

Problem of International Settlement

Among the many economic problems confronting every country as a consequence of the European war none is perhaps more far reaching in its effects than the settlement of international accounts.

Natural evolution of trade led to the establishment of an international clearing center for money, goods and credit—London, and London money, or, better expressed, London credit in the form of bills of exchange was of universal acceptance to buy, to sell, to loan and to pay. To adjust its accounts every country would look to a supply of credit in London, and its domestic financial machinery was interlocked with London in a

way that it could often supply its needs by borrowing credit there and would dispose of its surplus, leaving it in London.

The war has disabled London as an international trade center for clearings, and until a temporary or permanent substitute is available the whole world will have to suffer, as it has suffered during the last fifteen months.

The fall in the purchasing capacity of the people of all countries (exception made, of course, of the extravagant waste caused by the war in the warring ones) because of the disturbance in marketing their products has contracted almost all human activities. The collapse of the main sources of international credit has reflected so deeply on local business everywhere that, with a few exceptions, all countries have their credit machinery disabled and all currency systems have become unsound.

These adverse elements have naturally caused the most serious derangements in the course of exchanges between countries and the world has financially receded hundreds of years, having practically to confine these exchanges to what each country can dispose of to the other.

It is therefore of the greatest urgency that a new clearing center be made available to the world.

In normal times, when all countries were on an equal footing and could openly compete with each other, it was perfectly admissible that they should struggle for the conquest of the different markets. At this time, when our competitors are prevented from carrying on their trade, it might seem a felony to take advantage of their disablement, and we are not committing that act. We are not going after any of their customers because they cannot serve them, but because these must be served. The world at peace is not going to be paralyzed because of commercial loyalty to any country, and it is suffering enough already for reasons for which it is not responsible.

We have done nothing to make New York the substitute for London as the clearing center of the world. We have not even looked for it, and we certainly are not snatching the position from the former financial capital of the world. Furthermore, we cannot help it. We owe it as much to ourselves as to the rest of the world, and we cannot let the other countries perish nor lose our own trade just because London cannot supply credit nor clear trade.

We would cease to be one of the world's powers if we did not fulfill that duty now.

The World's Financial Dependence on the United States

The task, however, of taking care of the trade and finances of the whole world, which has befallen this country so suddenly and unexpectedly, is beyond its present ability. It has changed overnight from a financial dependency of the European money markets to the foremost market for money. All countries appeal to it and all want to be financed here.

The partial and temporary disablement of European industries has taxed to its full capacity, or more, the productive ability of American industries, and we are expected to attend to the needs of all countries, producing what they need and buying or marketing what they produce. Were our foreign credit machinery in readiness we would be unable to meet the world's wants except under the greatest strain. Our inability to meet these needs is causing the world great losses and we are losing the advantages and profits that otherwise would follow.

The commercial and financial credit which Europe supplied unlimitedly is practically suspended for a period as indefinite as the duration of the war, and its revival is as uncertain as are the results of the conflagration.

We must create this supply if the commercial world is still to progress and if we wish to occupy the position left vacant by the disablement of London.

It is not enough that a few manufacturers and exporters sell on credit to selected customers in a few countries, nor that a few banks unwillingly discount commercial paper covering shipments to some places. This movement as it is being done will do more harm than good, because of its uncertainty. It is indispensable that the supply and mobilization of credit be maintained and be kept in motion in a regular way.

The credit of the people in all countries has not been impaired by the abnormal conditions prevailing. Ante-bellum balances that could not be paid may still be unpaid and may or may not be liquidated some time, but the character of the people is unchanged.

Moratoriums have greatly embarrassed the collection of accounts during this time, but they have served to establish a discrimination in favor of those who did not take advantage of their provisions and against those who did. Under calamitous conditions debtors can appeal to their creditors, asking for an extension of time, without any reflection on their character, but he who

delays payments simply because the law permits him to do so is not worth trusting again.

The disturbance in rates of exchange has also exposed those merchants who are not worthy of credit under any circumstances. High rates of exchange are never an excuse for not paying in due time. If the cost of goods is advanced because of exchange rates being high, prices are also advanced, and the sufferer is the public—not the merchant. Lower rates would not necessarily induce him to pay in advance of maturity.

A calamity is always taken into account by creditors, who will not press their claims unduly, but this action should be waited rather than solicited or enforced. Waiting for better rates has very often been the cause of heavier losses, and while debtors are supposed to bear the consequences, many times creditors have been the losers because of the disablement of the former.

Those who were honest before the war have paid their accounts and will continue to pay, no matter what happens, and if they incur obligations they will meet them. If conditions are such that they doubt their ability to pay, they will not buy, but if they buy they will pay just the same as they paid before the war. But the machinery for liquidating credit at home and especially for transferring it abroad has collapsed in almost every country, and it is not so much a matter of trusting the people with the value of accounts as of mobilizing these accounts and actually liquidating them here in due time.

Increased Exports Not Due to American Initiative

No organized or coördinated movement in this direction has taken place, and if we see the figures of our exports continually climbing it is not due to any efforts of ours but to the unfortunate demand for arms and munitions of war to destroy and for food-stuffs and other products to nourish, clothe and equip those using these elements of destruction.

Even this buying movement is liable to decrease or even collapse because the buyers have no convenient means of settling their accounts for these purchases. It has been found desirable or necessary to draw on the American people's savings, inviting them to loan money to belligerent countries in order that they may still buy. How far this can go no one knows, but should the American public fail to find interest in this class of investment and the banks and bankers underwriting the bonds have to carry

them themselves, it is hardly believable that such transactions would be made again and the prospects of maintaining these abnormal figures would disappear.

A strong appeal has been made to the American people, pleading for the cause of the labor of the country as if in danger of suffering, and a loan for two governments at war has been floated, the underwriters assuring the people that the paper they offered was good. If the credit of the governments at war is good is not the credit of honest merchants in countries at peace much better?

We may have room for all. Our present financial machinery is equipped in a way that we can make money as plentiful as is necessary, and if we feel that to *sell* we must *loan*, why loan only to governments at war?

This is not an appeal to extend credit to all everywhere. It is simply establishing the premises for a few remarks on what we should do now in order that after the war our efforts shall not have been wasted and that we may win the trade by giving in time what we could give. The unlimited amount of credit we have is of no use to us if we do not utilize it.

The Loans to Belligerents

All our efforts to arouse the interest of the people in the rest of the world have been confined to what each one has been able to do for himself.

The only event worth mentioning has been the placing of a large loan for two of the belligerent nations, to which investors have been asked to subscribe as a patriotic act in trying to sustain the industries of the country.

The same reasons offered in support of the loan apply with greater force to countries at peace, and for peaceful purposes, and while it may be a very good investment to lend money to two of the formerly most powerful governments of the world, it certainly is much safer to extend credit to merchants all over the same world. They do not use the goods bought on credit to destroy, but to maintain, and their combined liability at large is of much better value than the promises to pay of governments in a state of war.

Credit and the Manufacturers' and the Banks' Relation Thereto

As a rule, manufacturers and exporters are quite willing to sell on credit provided they can turn over the accounts and

have a reasonable assurance that they can be protected in a way better than to be at the mercy of events.

Turning over the accounts means the discounting of bills by banks, and while this was done fairly liberally before the war, at this time it is a matter of begging, and most uncertain; and still discounting a bill drawn by a manufacturer, no matter on what country, is a much better risk for any bank than buying or lending money on bonds issued by a foreign government at war, however powerful that government has been. The manufacturer's liability which is retained on discounting his paper is a more desirable guarantee than the contingent marketability of a bond of any class.

It has been authoritatively stated that about 95 per cent. of the world's trade was carried on credit all the way from the sight draft against bill of lading to open accounts and acceptances running for as long as six or more months. Our largest and most powerful competitors, England, France and Germany, extended credit very liberally and they unquestionably had that great advantage over us. But British, French and German manufacturers had the facility that we have not as yet, notwithstanding the latest improvements in our financial machinery; they could turn over their foreign accounts, no matter how long they ran, by securing advances at reasonable rates of interest from their banks. The financial structure of the United States did not provide for the carrying of long time accounts, nor for the mobilization of credit granted to foreign countries except to a very few and under the most restricted conditions.

Then came the war and we found ourselves called upon to supply the world with the goods that could not be supplied by warring Europe, but with a clamor for credit from all quarters.

Crippled as almost all countries became, because of the partial or total unmarketability of their products and the suspension of the flow of credit and investments from abroad, they could still buy something, and as and when they have improved their conditions and have been able to recover somewhat their foreign purchasing capacity they have been calling for more and more goods. The diversion of the European industries to the manufacture of deadly weapons, the disablement of the financial machinery available for foreign trade of the countries at war, and even the call to the front of most of their ablest business men, has caused a quasi-paralyzation of their export trade, leaving the world in our hands and at our mercy.

What have we done to take care of that world thus thrown to us? With a few exceptions, we have enforced the most rigid conditions of payment—cash in New York against shipping papers when not a flat and unwelcome demand for money in advance. In some cases our conditions have been complied with, and in some lines exports show what might be called an encouraging advance. But this, while it has brought us the money and our coffers are quoted as being nearly congested, has made no friends for us. Many foreign customers who have had to conform with our exigencies have gone home with vengeance in their hearts and determined to go back to Europe as soon as Europe is on its feet again. We have been reinforcing the future trade of Europe against our own while we have been deceiving ourselves with swollen figures of the present.

Credit Before the War

It might not be advisable to extend credit for so long a time as was granted at the time of the outbreak of the war. In fact, this was more a prostitution of trade than a legitimate encouragement for expansion, and it was a result of the keen competition raging between all the industrial countries.

When prices reached the bottom level and competition could no more be figured on the cost of goods, manufacturers and exporters adopted the system of selling "time," which they could buy cheap at home. This system was eminently pernicious, as it created an artificial trade which could not always liquidate itself without the most injurious losses. Merchants buying far in excess of their selling capacity would unload on the public on the most extravagant terms of credit, and it is enough to look over the books of bankrupt firms in all foreign countries to ascertain the large proportion of uncollectible accounts representing goods consumed which were never paid for.

The Argument for Reasonable Credit

But between this absurd system of credit and our demand for cash there is an intermediate course to be taken, which is a reasonable time of, say, not less than 90 days and not more than six months, that can be granted to reliable merchants in all countries.

There are almost everywhere three classes of importers: the wholesalers, who import goods to sell to retail merchants; the retail importers, who import to sell direct to consumers; and the

consumers themselves, who import goods for their own use on a small scale, or for the establishment or operation of public works or industries.

Except in the case of machinery or equipment, when an enterprise may need the assistance of foreign capital in the form of a reasonably long investment, all others do not need, as a rule, credit for more than 90 days after the goods have arrived at destination.

In some cases bad customs management or bad landing service will delay the clearance of goods for days, weeks or perhaps one month or more, but this is something which can be remedied and should be remedied by local efforts, but not at the expense of foreign creditors.

Consumers not buying machinery or supplies for public works, have no right to demand credit. They apparently save money when importing goods for which they would pay cash at local stores, and while they might not be asked to remit in advance, which means perhaps parting with their money for 60 days or more before they actually receive the goods, they should at least pay cash on receipt of shipping papers. Retail importers are entitled to credit for an average of 90 days. They have to pay cash for duties and other expenses and must carry stocks awaiting buyers. They sell largely for cash, domestic credit to consumers not extending over 30 days as a rule. Within 90 days of arrival of goods they have ample time to receive funds enough to pay for their foreign purchases. Wholesale importers also need credit for at least 90 days. They also have to pay for duties and expenses in cash, and if it is true that they sell on credit to retail merchants, these, as a rule, sign notes for their purchases and these notes are discounted by local banks, affording funds to pay for foreign accounts.

Both wholesale and retail importers should have adequate capital to carry on their trade, but should they limit their business to only what they could turn over with their capital alone, their business would be limited to perhaps one-tenth of what it is. Profits on commercial enterprises would have to be too big to pay expenses and reasonable earnings on the capital itself and the cost of goods would be greatly increased. This cost is lowered by taxing goods with only reasonable interest on their value.

Credit in Place of Capital

The amount of capital available for merchandising is a great deal smaller in other countries than it is in the United

States; credit facilities are not so extended nor so easily obtained, and this obliges merchants to seek for more credit and for more time than is usually granted in this country. Then, the carriage of goods demands more time than is required in this country, where transportation is so frequent and easy, and this requires the carrying of much larger stocks. Within the week stocks can be replaced in any part of the United States where there is no delay other than the actual time necessary for transportation. Factories in the East can place goods in San Francisco if necessary within six days after the order is received, while to a place like Buenos Aires or Cape Town it takes about one month of sailing time, not considering that there are no steamers leaving every day nor several times a day as happens with our railways.

This means, of course, that foreign merchants must carry stock five or six times larger than our merchants. If they could not secure credit they would have to invest a larger capital or limit their trade to their actual cash means.

Comparison of Domestic and Foreign Risks

It is often said that credit is safer when extended in this country than when extended to customers abroad. No bigger mistake can be made. Credit granted to honest and reliable merchants in any country is just as safe as that granted to an equally honest and reliable concern within this city, county, State or the Union.

The fact that a man is nearer does not make him any better, nor does it make him worse because he is at a greater distance.

The one who will pay is just as near in Buenos Aires or Calcutta as at 42d Street, New York City, and the one who will not pay is just as far from New York in Jersey City as if he were in Afghanistan.

Similarity of language and recourse to law are futile reasons, for it does not imply that a man must speak English to be honest, and the law is no more effective here against a man who will not pay than it is in any other part of the world. Business made safe by recourse to law is not the one worth looking for.

Distance counts because it means *time*, but time is paid for in the shape of interest charged directly as an item on an account, as a part of the price or, as is often done, in the rate of conversion to foreign money.

A manufacturer selling to a domestic customer on ninety days' credit may not get his money any sooner than on a sale at thirty days' acceptance on Buenos Aires, there being needed thirty additional days each way for a letter to reach destination and for the remittance to reach home. Of course, if a sale is made to a man in Buenos Aires at ninety days' acceptance, it will actually require five months for the remittance to be received, or sixty days more (time distance) than a ninety-day domestic sale, but the sixty additional days are paid for, meaning perhaps one per cent. or more added to the price.

The Banks and Commercial Paper

It is easier for a manufacturer to turn over the value of his domestic sales than it is to dispose of his foreign accounts. Many banks prefer to loan money to their customers on their own single name paper than to buy (or advance money on) drafts drawn on foreign countries; something which is inexplicable, the liability being the same. But if one bank does not do it others will, and it is only a matter of making proper connections to secure the needed accommodation. Manufacturers who cannot secure this and who cannot carry accounts should not waste their time in trying to do an export business. Manufacturers who cannot secure bank accommodation to turnover their domestic trade run out of business pretty quickly also, as it is illogical and unbusinesslike, when not impracticable, to do a strictly cash trade for buying and selling.

Selling to commission houses for export is not exporting: it is only adding one more domestic customer, more exigent perhaps in regard to price, packing and other details.

Discounts and Credits

The granting of large discounts to secure cash for domestic or foreign business is not a solution of the problem unless a monopoly is held of some article and buyers must submit to any imposition. But in this case large discounts are unnecessary, as whoever has the power to enforce himself on the public, does not need to yield in price or terms of payment.

Those discounts, or, as they are called sometimes, "inducements," to secure "cash," avoiding the trouble of having to finance accounts and the credit risk represent not so much a high rate of interest for money as a high rate of insurance. It cannot

be said that the manufacturer actually needs cash so much. He can secure it by borrowing from his bank.

As a rule, these discounts do not reach in full the foreign buyer. Some part remains in the channels of trade, and it cannot be said that he who retains it is not, in a certain way, entitled to a compensation for assuming the risk, but many times this item, which may be called "credit insurance," adds to the price and stands in the way of competition. Sometimes the difference between the price paid by the buyer and the one actually received by the manufacturer is so large that the trade becomes practically impossible.

Time and Credit

In this regard it is well to have in mind that "time" and "credit" are two different things, although under either condition the manufacturer is delayed in receiving his money. A sale made for cash against documents at destination (usually sight draft drawn with bill of lading attached), to a merchant in, say, Cape Town, is not liquidated before sixty days after shipment is made, as it takes about thirty days for the draft to reach destination and thirty days for the mail with the remittance to reach home. But the merchant in Cape Town is granted *no credit*. Furthermore, on paying his draft against the surrender of the bill of lading *he extends credit* to the manufacturer, giving his money for a piece of paper representing the goods, which he cannot verify until a few days later when he has been able to open the packages and get full possession of their contents. In this particular case he is not even granted time, as he must pay his bill on demand.

The manufacturer, however, is delayed sixty days. He can charge interest for this time either directly or in the price, and if he wishes to secure cash he probably can discount the draft at a bank, ceding the interest charged.

When goods are sold on "d/p draft terms" (documents to be delivered only against payment), the buyer is *not granted any credit*, either, as he cannot obtain possession of the shipping papers until he pays. This form of payment is a great convenience to buyers, as goods are placed at their disposal at their place of business, and as their obligation is extended for the time of the draft, usually ninety days, they can, as a rule, dispose of the goods in part, at their own convenience, paying for them as they take possession of them. The manufacturer grants "*time*," but not "*credit*." His bill is specifically secured by the goods although the sale is made, the only risk involved being, as in

sight drafts against bill of lading, the refusal of the buyer to take over the goods, something that no honest and reliable merchant will do without full reason or an accident happening to him (death, etc.), which prevents the transaction from being consummated. The risk is, therefore, confined to expenses of forwarding the goods and their return.

Credit granted may not necessarily mean time, as time is considered in trade. Twenty-four hours allowed for a bill to be paid is just as much credit as ninety days, as far as risk is concerned. A bill at twenty-four hours, or as it is usual to grant in this country, "*cash ten days*," involves as much danger of losing the money, if the buyer will not or cannot pay, as if it was at ninety days.

The Confirmed Bank Credit

It has been suggested that foreign buyers provide confirmed bank credits to pay for purchases against delivery of shipping papers at the port of shipment.

With the exception of institutions in the former money markets of the world, London, Paris, Hamburg, etc., banks could not easily issue letters of credit, unless they were prepared to have the amount charged against their accounts at once. A bank, say in Bolivia, which would instruct its New York correspondent to pay for its account up to a certain amount against shipping papers for one or more of its clients, could not expect the said correspondent to do other than charge to its account the amount in question the day the sellers were notified (confirmed credit) that they were prepared to pay, and this is exactly equivalent for the Bolivian bank to have drawn its own draft against its correspondent. To draw a draft or, its equivalent, to open a credit to be confirmed, the Bolivian bank would require its customer to pay the value, and while such customer would be better protected (not paying in advance but on receipt of shipping papers, which is theoretical delivery), he would part with his money just the same, many days, weeks or months, perhaps, before he could see the goods purchased.

It has also been suggested that local banks in foreign countries which usually lend money to their domestic clients at the time they need to pay for foreign purchases, advance the time of their loans and supply the money on arrival of goods instead of at the maturity of time drafts drawn against such clients, thus permitting them to pay cash.

This did not seem feasible before the war, when credit was

ample and abundant, and when banks could utilize an unlimited supply in London. Therefore, now it would not appear to be the proper time to propose it.

Credit and Local Interest Rates

Local rates of interest have been as a rule much above our foreign trade standard rate—6 per cent. per annum. At certain places it is now 18 per cent., and any added cost of the goods to the buyer would make him raise his prices. In normal times the added cost would be a point against us in competition with other foreign goods.

In very few countries could banks lend their credit, even if authorized by law, as the Federal Reserve Act has done for our national banks. The commercial value of an acceptance does not depend alone on its *guarantee*. It must also be *negotiable*, and it is not very probable that a draft accepted, say by a bank in Batavia, Java, would be more acceptable for discount here than an acceptance of a firm in the same city stronger than the bank itself. Any bank's resources may mean greater power and greater actual means in the shape of liquid capital, but a merchant owning more unincumbered property than the bank's net capital would be much better and much safer. Then, banks here look more to the value of the *drawer*, than to that of the *drawee*.

Suppose that banks in financially dependent countries (all those other than the money centers), would issue letters of credit for manufacturers to draw against them for shipment to their clients: where would the manufacturer be more protected? His liability would be the same if the accepting bank did not pay, and he would be in the same position as if his customer did not meet his obligations in time.

The acceptances of such banks would find a market here to a certain extent, but not perhaps as ample as drafts drawn against several merchants, meaning the splitting of risks. The manufacturer would always hold his customer responsible until the draft drawn against the bank issuing the letter of credit was actually paid, and unless such drafts were more negotiable and represented better guarantee, their interference would be entirely useless.

To whom would an American bank send for collection a draft drawn against a bank issuing such letter of credit if there was no other bank in that city or in the country? If there were several banks and all should issue letters of credit, they would all

be receiving drafts against each other, creating perhaps friction, confusion and an undesirable offsetting of liabilities between them.

The plan might work in certain places, especially where there were agencies or branches of American banks, so long as these did not go into the same business and issue letters of credit also.

The Task of Banks

If the burden of carrying foreign accounts is thrown entirely on manufacturers or exporters they cannot go beyond their own means, and trade would be greatly embarrassed. That is the task of banks, and they can do it at a profit as they have always done it. There is no reason on earth why they should loan practically unlimitedly on manufacturers' own paper and not discount their foreign bills, which after all is only loaning money against the assignment of specific accounts as guarantee.

The excuse has been that our banks have no suitable connections everywhere to protect collections in foreign countries, and it is only in the few branches of one or two American banks that such collections can be made within their own premises. This only emphasizes the need for American banks or branches of them in all countries, but it is yet to be seen that the mere collection of accounts will be enough to encourage American banks to go into the venture.

If all American manufacturers engaged or were willing to engage in foreign trade and all exporters were willing to extend credit as they will have to do if we are to build a trade for the future, they simply could not do it unless they were assisted by proper banking facilities.

These facilities today are absolutely inadequate, and if the banking interests of the country are not going to provide them or if they are going to discuss the subject for some years more, manufacturers and exporters will have to take the matter in hand themselves. Otherwise they will have to suffer the consequences. Post-bellum prospects are such that it is no longer a matter for discussion but of acting and acting promptly.

It would be much better no doubt that banking business and the services attached in taking care of foreign accounts should be left in the hands of bankers, if they can and will do it properly. But it is enough to see what has been accomplished during the last fifteen months, and to observe the present stage of the matter to judge of the hopelessness of the case. While much has been spoken and written about the need of American

banking abroad, the results are confined to the few branches in three countries of South America, one in the West Indies and two of smaller importance in Central America, in addition to one other bank branched out in the Far East; but there is nothing under way that may lead us to believe that at any but a very remote time we may expect the establishment of a system covering the whole world, and nothing less than this is what is needed.

Will any of the American banks, or several of them, branch out all over the world if the only expectations are to attend and take care of the interests of American foreign trade? Will they venture into banking at this time *in* many countries which might or might not be the real sources of profits when what our foreign trade needs is only banking *with* these countries, which is much less profitable?

Not a Question for Bankers Only

This is not a question to be resolved by bankers alone. Manufacturers and exporters cannot wait until it suits the banks to extend the facilities and services they need, and only where it is suitable, convenient and profitable for the banks to do so. They need the facilities and the service, and if bankers cannot or will not afford them they must find their way to do the business without them.

The opportunity to extend American trade to the most remote parts of the world will not present itself again, and what we will not or can not do now, we shall not be able to do at any time in the near future.

During the first few years after the war there will probably be a great demand for capital and energies in Europe to rebuild all that is being destroyed now. Business then, in this line, may be so strenuous that our ablest and most powerful men may be devoted to a bigger task, neglecting the troublesome details of questions of minor importance, and it may happen that, all things being reversed, Europe will do with the assistance of our money what we did at other times with the assistance of its money—build foreign trade.

Time for United Effort

It is the time to unite efforts rather than to oppose each other in trying to "control" or to make more out of certain lines or kinds of business. We have lost already fifteen months, and if we look at the face of things we shall discover that we can show nothing more than a mass of scattered information and many

schemes in process of public digestion. To know how foreign customers feel, it is enough to hear people from all countries talk when they arrive at home disappointed and read letters of those who have not come. Criticisms from consular officers add to this material evidence, and then each one who has had business before, or who has attempted academically to go into the foreign trade now, or who has been approached by foreign buyers, can find out for himself if the fifteen months have assured him of any prospects for after the war.

Assuming that in one way or the other proper and ample banking facilities were afforded to manufacturers and exporters, and that they were placed in a position to extend unreserved commercial credit, feeling assured that their interests were looked after in foreign countries, all this would still be insufficient as far as expanding and retaining foreign business is concerned.

Consumption Follows Production

It must be borne in mind that consumption follows production and that no country can buy beyond its purchasing capacity arising from the marketing of its products.

We were and still are the largest individual consumers of almost every product of other countries, because our population is the largest national consumer, but we were not the only consumers. Other countries combined, especially those engaged in the war, were the largest buyers, if not direct consumers, of such products; and their buying and consuming capacity has ceased or greatly fallen, except in a few lines. Marketing of products, even for our consumption, was largely carried on in London, Paris, Hamburg or some other of the markets practically closed today, and the distribution of products which formerly took place there has been greatly disturbed. We are now supposed to be this distributing center, temporarily or permanently, and this does not mean that we should only afford port facilities to trans-ship or to store goods for further disposal, but also that we should finance or assist in financing those shipments. To this end we must have ample banking facilities to offer to all countries.

Limitations of the Federal Reserve Act

The power of accepting drafts given to national banks by the Federal Reserve Act while improving conditions for ourselves, to finance at our convenience our imports and our exports, does not necessarily place at the disposal of foreign countries any further facilities or conveniences. The silk manufacturer who,

to import his raw products from Japan, is offered the facility of sending to his correspondent a letter of credit on New York instead of one on London, is giving no facilities to the Japanese exporter, but retaining them himself. The Japanese exporter will part with his goods just as he parted before, having his liability attached until the draft drawn against the letter of credit is ultimately paid—whether this draft is drawn in dollars on New York or in pounds sterling on London. The only one benefited is the American buyer, who is allowed ninety days to pay, and the acceptance of a draft by a bank instead of by the importer may be a better guarantee for the drawer sometimes. The bill may also be more negotiable, and might perhaps obtain a better rate of exchange if accepted by a bank. But the real convenience is not afforded to the exporter of silk in Japan, who would much rather get cash, without liability attached, for his goods, than an advance of money from his bank against his shipping papers and under his responsibility.

Of course, American banks, being able to lend their *credit* (accepting time drafts) instead of their *money*, can lend very much more, and our importers and exporters can utilize the advantage of perhaps more liberality in quantity and cost of the service, but the exporters abroad are placed in no better position: they are supposed and requested to part with their goods on credit.

Time bills on London, being practically out of use the world over, it is necessary, in offering the substitute (time bills on New York), to make these marketable and easily negotiable everywhere, and to this end there must be an ample supply of and demand for them.

London and New York

Not all drafts drawn on London, in almost every foreign trading city of the world, represented goods sold; in fact, many were drawn in advance of shipments, and as credit instruments in revolving loans, etc.

Consignments of manufactured articles for future sale have been largely discontinued, but in raw products they were maintained to a great extent. Many shipments of consigned products were sold in transit, being directed for "orders" to one of the several distributing ports in Europe, although as a rule drafts for advances against them were drawn on London. While these consignments and advances are nothing new with New York, the ultimate destination of these products was for consumption in the United States.

In replacing the facilities formerly extended by London for the outright or future sale of products from all countries, we must afford the financial and commercial assistance needed, and only then will there be an unlimited market for drafts on New York, whether they are sight drafts or at 30, 60, 90 days or more.

The marketing equipment, including financing of shipments, advances on future deliveries, etc., may demand the investing of a large amount of capital and energy, but it is profitable all through, and its binding effects for our own trade would be decisive, far reaching and lasting.

The volume of drafts to be drawn depends on the amount of exports, advances, loans, temporary or permanent investments in each country, and its foreign purchasing capacity is limited to this aggregate value. The increase of this value will greatly depend on what we can and will do. If we confine ourselves to buy what we need, and allow the exporters the privilege of drawing against us on terms suitable to us alone, suiting our convenience in taking time to pay, we shall not increase the possibilities of expansion of our sales, nor earn the profits attached to the financing of their trade to other countries, nor contribute to the adoption of our money as the international standard for exchanges.

The Quest of New Markets

If all countries have to look for new markets for their products to replace those they have temporarily lost, they will have to struggle for a long time—long enough, perhaps, to see the end of the war, when they would find their former markets open again. And then it is not a matter of finding the market alone, the financing of the trade is just as essential, and unless a reciprocal trade can be built to offset sales with purchases, the market would be of no use.

Very few countries, if any, will trade between themselves in exactly even figures. There is always a balance against one of the two which has to be settled elsewhere, and this elsewhere was formerly London, and eventually some others of the European money markets closed today. To bring the settlement to New York it is necessary that New York extend adequate facilities to both, and that the bill on New York be made as universally accepted as was the bill on London.

London achieved this because it extended its banking facilities everywhere, and to do the same we must have banks,

American or other, which will always buy and always sell bills on New York.

There is not in all countries either the spirit, the ability or the means of fostering their trade and finances. Notwithstanding the advanced stage of domestic banking in countries like Argentina, British and other foreign banks were and still are probably a more important element in financing the country's foreign trade. Their activities were not limited to buying and selling drafts. They took directly and indirectly a further interest in the business affairs of the country at large, and Argentina's great trade development can not be attributed to the efforts of Argentinians alone.

Customers Need Assistance

If we wish to enhance the foreign purchasing capacity of our customers—all other countries—we must assist them in marketing their products at this time. We cannot and will not buy more than we need, no matter how much sympathy we have for any country, nor will we pay for their goods any more than we can help. Other countries will do no better. But we must find the market for them, and help them to finance their exports. This is no humanitarian movement, but, again, a simple business proposition that pays well. London taxed the entire world for it and it created a source of revenue which increased yearly the means it had to further keep up the movement.

All will benefit by it; our manufacturers and exporters by having a chance to increase their sales, our bankers by making larger banking profits, those engaged in marketing the goods by the natural profits arising from that process, and our customers by being able to place their products.

The war has been a revelation to many people as regards the sources of production of many of the articles we consume, some of which are indispensable even for the maintenance of our industries. Certain raw materials are unobtainable today, because the places where they were produced are closed to commerce. They may be obtained elsewhere, and if they are one of our own needs will be filled, and our customers may add to their purchasing capacity with other articles of export.

Who is going to find this out? We may have as much interest to buy such products as the possible producers to sell; but we have more means, not only for the research work required, but also for exploiting them.

This means perhaps investment of capital and energies something which is quite familiar to us at home, but entirely foreign when going into other countries. Investing both may result very profitably, as much for the actual returns on the investment as because of the results in advancing the purchasing capacity of our customers.

Delusion Respecting Investments

There is a great delusion respecting investments of American capital abroad, its importance as a trade getter being often overestimated. Investing is done permanently, although in a temporary way. Selling on credit is nothing else, and there is no doubt that extending credit greatly increases our sales, but making permanent investments in the form of public or private loans for building railways or other public works does not necessarily increase actual sales. The development of the resources of any country naturally advances its means of production and, therefore, it is able to consume more, but the people do not buy more goods from any country simply because capital from that country has been invested with them. They will buy where it suits them best. A striking evidence of this is found in the immense increase of American exports to all countries where not a cent of American capital was invested. The United Kingdom, the largest supplier of capital to the world at large, has not sold us more goods because of its permanent investments here. On the contrary it has bought more from us, and with British money we have advanced our industries in a way to endanger British trade in other countries. We took away all we could of the foreign trade of the United Kingdom, in spite of having used its money to build factories and even to finance that same trade. With British, French, German, Belgian and Dutch capital many of our best customers have developed their resources and increased their purchases of American goods, which have been steadily replacing those of other countries.

Our investments will do no more nor less than British, French, German, Belgian and Dutch investments did, and while we may have a chance to participate in the increased purchases of the countries developed with our money, they will not be in any way entailed to us. If during the time that European capital is prevented from further developing other countries we step in with our capital, we shall benefit for the moment, but nothing can tie those countries to us in such a way that after the war is

over they will not buy European goods again—with resources developed with our money—if it suits them better.

Often loans are made in goods. For instance, a railway company selling its bonds may take in payment rails or other railway material. This would show an increase of sales in that line during that year, but the effect of the working of that railway in developing the country, shown shortly after, will be the creating of further resources for that section of the country and purchases with them will not necessarily be made in the country where the loan was placed.

Investment of "Energies" Needed

The investment of energies has a more influential effect in determining the course of trade. American companies building railways with American engineers, and operating them under the management of Americans, may represent a large increase in the purchases of railway supplies, regardless of whether the capital for the construction of the line was raised in the United States or Europe. American engineers and clerks will also consume certain American goods which are always found adaptable to the country, if only by imitation.

Investments should be looked at merely from the standpoint of their own earning capacity, and not as means of increasing trade. Trade will increase without investments in some cases; in others, investments will not increase the trade at all.

There is no doubt a great field for investment of American capital in foreign countries, and the people who might be tempted to invest will not care at all whether the trade is going to be increased or not, but simply whether or not the investment is going to be profitable. Neither had the British as investors any other prospects in mind, and it is up to the people who have money to invest, to find out where they can do so to best advantage.

The extension of facilities for marketing and financing the products from all countries may be left in the hands of business men from those countries who may look for them, and of American business men who may supply them, but the work of developing their resources in order that we may have a chance in participating in their increased purchasing capacity cannot be left entirely in the hands of would-be investors-for-profit. It would be too long a process and we must act quickly. An organization of some kind, other than one merely mercenary, should be formed to undertake the research work and promote enterprises, putting

before investors the opportunities as and when they are discovered.

It is quite possible that this organization may be made profitable also (first-hand knowledge always is), and then promoting enterprises on a sound, safe and honest basis is always good business.

Effect of the "Appreciated" Dollar

There has been a great misapprehension in regard to the enhanced value of the American dollar in almost all countries. In some, money has become depreciated as compared to ours, and will continue depreciated so long as we remain on a gold basis and the others only have the inconvertible paper circulation to which they have fallen; and the course of exchange, direct or indirect, has practically broken down because of the disorganization in settling balances of international trade.

The United Kingdom has been buying from us in much larger volume than ever before and has been exporting very much less than in normal times. The invisible means of offsetting this balance (freight and insurance charges, banker's interest and commissions, trade commissions and profits, dividends and interest on investments, tourists' expenses and a few others) being greatly diminished, the United Kingdom has had to face actual payment of its purchases in gold or by borrowing (delaying payment). Not being willing to release gold in quantities large enough to cover its indebtedness, it has borrowed, but the amount of the loans, and eventually of floating credits, has not been enough to bring matters to a level, and "English money" is at a discount with ours. In Japan it has been different. With a balance always against us, Japan has had means enough to pay for its imports and its money has been maintained at par with ours.

Gold being hoarded or locked up and balances not being adjustable as an ultimate resort in this form, exchanges do not keep any longer within the gold value of the respective moneys. While still counting in relation to the theoretical equivalences rates of exchange are fixed exclusively by demand and supply. Demand being larger than supply, it was most natural that rates should rise, signifying a premium on dollars, or a discount on local money in reference to dollars.

To see "dollars" at a premium almost everywhere may satisfy national vanity, but nothing could be more harmful as far as foreign trade is concerned. In fact, our goods cost more in all places where a premium has to be paid for "dollars," and this,

meaning increased cost in terms of local money, shrinks the purchasing capacity of the people for goods, the value of which is paid for in dollars. Merchants do not raise their prices in exact proportion to the premium they must pay for foreign money, but they charge, as a rule, very much more either as a means of protecting themselves against future rises, or simply to make larger profits.

But neither should we want to see our dollars at a discount, and this could not happen unless we also suspended gold payments. Fortunately there is no chance of it happening. Countries having balances against us dispose of these balances in paying others against whom we probably have a balance to collect, and the possibility of our parting with our gold is thus minimized.

Our Plethora of Gold

Any country, however, having a right to obtain gold from us is welcomed to it, as it is authoritatively stated we have more than we want. Whether this is true or not, is not under discussion at this moment. It can be said, however, that other countries not using gold as a rule they would have no object in securing it.

Our interest should be as a matter of self-conservation, and as a means of upholding the purchasing capacity of our customers, to maintain normal rates of exchange with all; and for this purpose it is most essential that we assist all countries in financing themselves—increasing their supply of exchange. Of the two means available, increasing exports and making loans, the first is certainly the best for both—the other country and ourselves.

This is why the importance of tendering commercial assistance cannot be too greatly emphasized.

The Coöperation Needed to Develop Our Export Trade

There are several things to be done in order to maintain and develop a stable export trade under present conditions and lay the foundation for the future.

Adequate shipping facilities are indispensable in one form or the other, so long as ships are available for transportation to and from all countries. This must be resolved at once. Further discussion will only keep us in suspense for a period long enough perhaps to see the end of the war.

Banking facilities must be extended in a way that credit can be granted to our foreign customers as liberally as they need it. To discount bills of exchange on a few countries only is not

what is wanted. The service must include all and every country, and protection must be extended to our exporting interests in taking due care of their accounts everywhere.

Our foreign customers should be assisted in marketing their products at this time and in financing their trade. They must be helped to maintain the parity of their exchange, doing away with the "dollar at a premium," which is the most harmful of all fascinations. Their resources must be investigated to further develop their purchasing capacity at the proper time. In doing this we shall weave a net of commercial ties, agreeable and profitable to all, which will be of permanent benefit.

The coöperation of all is needed—shipping interests, bankers, investors, merchants and manufacturers. To look after what is affording inflated profits today and neglecting the future is simply killing the goose of the golden eggs.

Many interests may clash in this movement, especially when looking to control or dominate the course of certain activities, but a truce must be declared, and for once all must unite in the same effort. Otherwise the millions accumulated while the war lasts may create an unfriendly feeling among the spoiled and the neglected, and may not be enough to offset the loss of trade when peace shines again over the world.

THE CHAIRMAN: I have always thought one of the strong points of the National Association of Manufacturers was their wise selection of men to help them carry out their propaganda; and I am sure that you will agree with me that in selecting the gentleman who has just addressed us as their banking adviser they have done well, and could do no better. (Applause.)

Owing to the lateness of the hour we are not going to have any discussions upon the remarks that have just been made, and we will go on to the next subject.

[Time did not permit of the discussion of the paper on "Credit and the Future of American Foreign Trade," as announced on the program, but as Mr. William E. Peck, of William E. Peck & Co., New York, had prepared a brief address on the subject Mr. Peck's views are herewith appended, based as they are on his long experience as an export merchant.—Secretary.]

Comments on the Credit Situation

By WILLIAM E. PECK

Mr. Chairman and Gentlemen: Successful trading with foreign clients depends upon care exercised in granting credit.

Of what use is it to sell goods unless they are well sold? Better a foreign business of \$10,000 with reasonable profit than one of \$100,000 with loss.

Failure to appreciate the importance of that combination of six letters spelling the word "credit" has wrecked more export houses than all other causes put together, yet the lesson is still unlearned. Manufacturers and shippers will not realize that foreign credit is more hazardous than domestic and, therefore, should be more closely scrutinized. A receiver for an export house once remarked that he would rather do domestic business over a dynamite factory than to ship goods to South America on a 2½ per cent. margin of profit; yet such business is as safe as any other, if care is exercised.

Large manufacturers and jobbers maintain credit departments for their domestic transactions, and orders are not executed until they have been scrutinized and sanctioned by their credit man. Thus the salesman, who naturally wishes to swell his own sales, is under the restraint of credit experts. Yet these same houses in dealing with foreign countries accept the orders of their interested salesmen without having the same intimate knowledge of their client's standing that they require at home, and also accept with too great avidity direct orders from unknown firms using fancy letterheads.

Many manufacturers throw precaution to the wind when they venture direct export business, although, aside from panic times, the possibilities of trouble are much greater than in the home trade, where information is easily obtained, where a doubtful risk can be reached quickly and where the law can be applied with comparatively little expense. Even in good times such troubles are manifold from the refusal of a draft on good people, because of some slight difference in the method and time of shipment, in the quality of the goods, or some real or fancied grievance, down to the refusal to accept or pay accepted paper, due to financial inability, either temporary or permanent.

The leading export houses found out long ago that, in view of the long distances involved, the only way to handle foreign credit was through the establishment of branch offices and agencies in all the important cities of all the countries in which they traded extensively, and even with these safeguards losses occur on draft operations, and unless the quality of representation is of the best serious results may follow. In case of trouble it is cheaper to accept the best settlement obtainable at the start,

rather than to take chances on protracted negotiations, especially such as involve the assistance of the law, which in most foreign countries simply means throwing good money after bad.

The exporter not only consults with the different local banks in order to get a line on a risk, but is also able, through personal contact, to judge his customers' ability, integrity and prosperity, and bankers often come to him for information regarding firms which he is better able to secure. He keeps up-to-date through a generous use of the cable, and is, therefore, prepared for disturbance due to locusts, pestilence, torrential rains, droughts, revolutions and panics, which periodically occur and must be reckoned with.

There is sufficient risk in draft operations without even considering business on open account, and the shipper who is foolish enough to attempt the latter is doomed to failure. Most of the merchants south of the equator, especially in South America, know that American shippers do their export business against draft instead of on open account and it is unnecessary, therefore, to incur this risk.

In conclusion my advice to all manufacturers and shippers desirous of export trade is either to maintain a foreign credit department and watch foreign risks more keenly than domestic or else to coöperate with long established export houses who will relieve them of vexatious shipping troubles, pay cash for their goods, assume the risk of the accounts, display sample lines at their offices and secure a maximum amount of trade at a minimum of cost.

THE CHAIRMAN: Gentlemen, again I present to you a speaker of international reputation, Mr. Moore, who you know long occupied the position of counselor for the Department of State, and, in that capacity, was instrumental in the negotiation of commercial treaties and other international agreements of great importance. I know you will listen with great interest to Mr. Moore, who will speak on "The International Situation and Future Trade Relations."

I have the honor and the pleasure of introducing to you, gentlemen, the Honorable John Bassett Moore.

The International Situation and Future Trade Relations

By HON. JOHN BASSETT MOORE.

In spite of the prevailing uncertainty as to the duration of the present conflict in Europe, the commercial world is anxiously looking forward to the time when normal trade relations will be restored and competition will again become general and active. It is an admitted principle of international law that, with the exception of engagements specially applicable to a state of hostilities, war abrogates all treaties between the belligerents of an executory nature, and in this category are embraced commercial agreements. It will therefore be necessary, when peace is reestablished, for the countries now engaged in armed strife to take up without delay the question of the conditions and regulation of trade.

Treaty Relations of the United States

With the exception of Russia, with whom the treaty of commerce and navigation of 1832 had lately been terminated because of what was termed the passport question, the United States at the outbreak of hostilities had commercial treaties with all the belligerents. As the United States has remained neutral, those treaties have not been disturbed; but it is by no means certain that they may not eventually have to be revised, or supplemented, in order to meet new arrangements between the countries now at war.

Chief Object of Commercial Treaties

A detailed analysis of our commercial treaties is not possible within the limits of the present address.¹ Generally speaking, I may say that, apart from special agreements of reciprocity, their chief object has been the creation of equal conditions under which the American merchant and ship-owner might freely compete with his rivals. To this end it has been customary to provide, at the outset, for a reciprocal freedom of commerce between the territories of the contracting parties, so that the citizens of each party should have liberty to come with their ships and cargoes into all the ports and places of the other to

¹ Such an analysis may be found in "Commercial Treaties of the United States. A Brief by Carman F. Randolph, of the New York Bar. Published by the National Foreign Trade Council, 64 Stone Street, New York City."

which the ships or cargoes of any other foreign nation might be permitted to come, and on the same terms. In harmony with this general clause, it is usually also stipulated that no discriminating duties of any kind shall be levied, and that no higher or other duties shall be imposed on the importation into the one country of the products or manufactures of the other country than shall be payable on like articles of any other foreign country. The same stipulation is applied to export duties. Equality of navigation duties is also prescribed, whether they relate to tonnage, to light or harbor dues, to pilotage, to salvage, or to any other local charges; and it is further provided that this equality of duties shall exist without regard to the flag the vessel flies, whether it be a vessel of the country or a foreign vessel.

Discrimination Not Permitted

It may here be remarked that by a clause (J Subsection 7) of the existing Tariff Act of October 3, 1913, it was enacted that a discount of 5 per cent. on all duties imposed by the act should be allowed on goods, wares and merchandise imported in registered vessels of the United States. The clause was, however, coupled with the proviso that it should not be so construed as to abrogate or impair or affect the provisions of any treaty of the United States; and as the Attorney-General subsequently held that the clause could not be enforced without violating the stipulations of existing treaties, the Treasury suspended the enforcement of the act, the interpretation and application of which are still the subject of litigation. The policy to which it was thus proposed to revert was practically universal a hundred years ago. In the third decade of the last century, largely as the result of the efforts of the United States, it was reciprocally abandoned in the belief that, as flag discriminations, if practiced by one nation, were necessarily enforced by others, the advantage gained on the homeward voyage was offset on the outward voyage by a corresponding loss.

The Most-Favored-Nation Clause

Another stipulation usually found in the commercial treaties of the United States is that which is commonly known as the most-favored-nation clause. This clause is found in various forms. Usually it stipulates that if either contracting party shall grant to a third nation any favor in commerce or naviga-

tion, such favor shall immediately enure to the benefit of the other party, freely, if freely granted, or upon paying the same compensation, if conditionally granted.

The interpretation of the most-favored-nation clause is a question as to which the United States and the countries of Europe have long differed. According to the European interpretation, it covers reductions of duty under special agreements of commercial reciprocity; according to the United States' interpretation, it does not embrace such concessions. The view that such concessions, because they are reciprocal, cannot be regarded as "favours" was first enunciated in 1815, and has since been generally maintained by the United States. In at least one instance, however, the other contracting party has been able to show by the record of the negotiations that a particular clause was in fact intended to embrace reciprocal concessions. This was the case with the treaty with Switzerland of 1850. Immediately after the conclusion of the reciprocal agreement with France of May 30, 1898, under the provisions of the Dingley Act, Switzerland claimed for her imports into the United States the same concessions as were granted to French imports, on the ground that the most-favored-nation clauses in the treaty of 1850 were, when entered into, expressly understood to have that effect. The United States, after examining the record, admitted the claim to be well founded, but at the same time gave notice of the termination of the clauses—an act that produced in Switzerland a feeling of strong dissatisfaction, the United States having always had the full benefit of the treaty in that country.

Another question of difference in regard to the most-favored-nation clause appeared in 1899, when the United States took the ground, in its relations with Germany, that the clause must be applied in each country uniformly, so that one of the contracting parties, even though it should apply the restrictive interpretation in its own territory, might demand the benefit of the liberal interpretation in the other country, if it prevailed there.

Reciprocity Agreements

This brings us to the consideration of the subject of special agreements of commercial reciprocity, designed to increase trade by mutual reductions of duty below the prevailing rates. The United States, soon after the Declaration of Independence, proclaimed its adhesion to the principle of reciprocity as a means of getting rid of commercial monopolies and discriminations, and

securing liberty to trade. As has been pointed out, our earlier treaties had this end chiefly in view. Occasionally, as in the treaty with France of 1831, for the settlement of claims, special concessions of duty were made on certain articles of merchandise. In 1854, a treaty quite broad in its scope was made with Great Britain, under which, largely for the purpose of effecting an adjustment of the fisheries dispute, reciprocal reductions of duty as between the United States and Canada were made on many articles of merchandise. For causes which need not here be explained this treaty was terminated on notice in 1866. A proposal to renew it in a modified form was rejected by the Senate of the United States in 1873. In 1875 an extensive treaty of reciprocity, having also a political aspect, was made with the Hawaiian Islands.

Reciprocity at the First International American Conference

In 1888 the subject of commercial reciprocity was included in the program proposed to the American nations for the First International American Conference. Up to that time, however, the advocates of protection in the United States had generally looked with disfavor upon departures from the established schedule of duties, and the tariff bill of 1890, as formulated in the House and in the Senate, contained no clause looking to the making of reciprocal concessions. At this stage Mr. Blaine came to the front, and by a dramatic public appeal secured the insertion in the bill of a clause (Section 3), the avowed object of which was "to secure reciprocal trade." To this end, sugar, molasses, coffee, tea, and hides, raw and uncured, were put on the free list till January 1, 1892. But, after that date, they became subject to duty, whenever the President should by proclamation declare that, considering their free introduction into the United States, the country producing and exporting them imposed upon the agricultural or other products of the United States duties or exactions which he deemed to be "reciprocally unequal and unreasonable." (Act of October 1, 1890, commonly called the McKinley Act.)

Under this clause, agreements were concluded with Brazil (February 5, 1891); Spain, in relation to Cuba and Porto Rico (July 31, 1891); Dominican Republic (August 1, 1891); Salvador (December 31, 1891; December 27, 1892); Germany (February 1, 1892); Great Britain, in relation to British Guiana, Trinidad and Tobago, Barbados, the Leeward Islands, and the

Windward Islands, except Grenada (February 1, 1892); Nicaragua, (March 12, 1892); Honduras (April 30, 1892); Guatemala (May 18, 1892), and Austria-Hungary (May 26, 1892).

On March 15, 1892, a proclamation was issued suspending the free entry of sugar and the other enumerated articles from Colombia, Haiti, and Venezuela. This action naturally gave rise to protests. Brazil alone, of the independent countries of South America, had entered into an arrangement; and Brazil, Colombia, and Venezuela were not the only countries of South America that produced and exported the enumerated articles. With Colombia there took place a diplomatic controversy, in which that government pertinently cited certain provisions of its commercial treaty with the United States. These things may not, however, be regarded as necessary incidents of the carrying out of a plan of commercial reciprocity. In some cases, and notably in that of Cuba and Porto Rico, the arrangements resulted in an important increase of exchanges.

The agreements made under Section 3 of the McKinley Act fell with the repeal of that law by the general tariff act of August 27, 1894. It is understood that the termination of the arrangement as to Cuba materially contributed to the local industrial distress which hastened the revolutionary outbreak in February, 1895.

Reciprocity Under the Dingley Act

By Section 3 of the Dingley Act of July 24, 1897, two distinct provisions were made for reciprocal reductions of duty. By the first clause it was declared that, for the purpose of "equalizing" the trade of the United States with countries producing and exporting argols, or crude tartar, or wine lees, crude; brandies, or other spirits manufactured or distilled from grain or other materials; champagne and other sparkling wines; still wines, and vermouth; paintings and statuary, or any of those articles, the President was authorized to make certain concessions in duties in return for reciprocal concessions respecting the products and manufactures of the United States. By the second clause, the terms of the reciprocity clause of the McKinley Act were substantially reënacted, with a substituted list of articles, consisting of coffee, tea, and tonquin, tonqua, or tonka beans, and vanilla beans. Moreover, by Section 4 of the act, a basis was laid for the making of reciprocity arrangements by treaty, subject to the advice and consent of the Senate; while, by Section 5,

the levy of countervailing duties on articles receiving a bounty in the country of export was authorized.

Under Section 3 of the Dingley Act, reciprocity arrangements were eventually made with France, Germany, Great Britain, Bulgaria, the Netherlands, Portugal, Spain, and Switzerland.

Aldrich-Payne Act: "Maximum" and "Minimum" Tariffs

By the so-called Aldrich-Payne Act of August 5, 1909, a new feature was introduced. Provision was made (Section 4) for the termination of the commercial agreements concluded under Section 3 of the Dingley Act, the reciprocity treaty with Cuba, which was not based on that section, being expressly declared to remain unaffected, and there was introduced the principle of a *minimum tariff and a maximum tariff*. The minimum tariff consisted of the dutiable and free lists. The maximum tariff consisted of the rates prescribed by the act and in addition thereto 25 per cent. ad valorem, which was to be levied after March 31, 1910, except as to countries in which the President should have proclaimed that there were "no terms or restrictions, charges or exactions," and no bounties, export duty or prohibition, which "unduly discriminated" against the United States and its products, and that such products were accorded "reciprocal and equivalent" treatment. Provision was also made (Section 6) for the collection, on imports receiving an export bounty, of a countervailing duty equal to the net amount of the bounty.

Present Status of Reciprocity

The plan embodied in the Act of August 5, 1909, was done away with by the general tariff act of October 3, 1913, which is now in force. By this act, a new provision was introduced (Section IV A), by which the President was authorized and empowered "to negotiate trade agreements with foreign nations wherein mutual concessions are made, looking toward freer trade relations and further reciprocal expansion of trade and commerce," with the proviso, however, that such agreements, before becoming operative, should be "submitted to the Congress of the United States for ratification or rejection."

In principle, the proposal to submit trade agreements to Congress rather than to the Senate, where legislative provision has not already been made for their administrative conclusion and enforcement, appears to be correct. But nothing has so far been accomplished under the clause in question. This circum-

stance may be ascribed, in the first place, to the fact that, as the effects of a new tariff act on the public revenues can never be certainly foretold, it was reasonable to observe for a time the results of its operation, and, in the second place, to the fact that ten months after the act was passed, the great war in Europe broke out with a consequent decline in the revenue from importations.

Lack of Success of Reciprocity with South America

There is, however, one subject to which I deem it important to advert, and that is the lack of success in concluding agreements of commercial reciprocity with the countries of South America. The agreement with Brazil, which was terminated by the Act of 1894, was not subsequently renewed, nor was any arrangement negotiated to take its place. In reality, it has been difficult for the countries of South America to conclude agreements involving a reduction of import and export duties. Internal duties, even where they exist, are insufficient for the purposes of government, and the collection of duties at the custom house is essential to the public welfare. If the United States, with its large internal revenues, has not found it practicable lately to enter upon a campaign for the reciprocal reduction of customs duties, still less can it be expected that countries whose internal revenues are comparatively small will make haste to reduce or suspend such duties.

The Attitude of the British Colonies

For a number of years there has been developing in the British Empire a system of preferences between the mother country and the colonies. This subject is not devoid of importance to the commercial world. During the first half century of its existence, the United States was obliged to contend with the system of colonial monopoly. This system has not been restored; but a system of preferential duties between the widely separated parts of great empires would necessarily render competition in trade more difficult. In 1911, as is well known, an attempt was made to reestablish relations of commercial reciprocity between the United States and Canada on the basis of independent but reciprocal legislation in each country. The plan was defeated; one of the causes of its failure being the fact that, partly as the result of certain incidents, it came to be regarded by our northern neighbors as a measure inimical to the growth of what is commonly called Canadian nationality.

Anti-dumping Legislation

It is also worthy of notice that there has sprung up in certain of the British dominions, that is to say, in Australia, Canada, and South Africa, a kind of legislation designed to prevent what is popularly termed "dumping." An enactment of this kind was made in Australia in 1906, as part of what was styled the Industries Preservation Act, a general law against monopoly and unfair competition. In the Canadian Customs Tariff of 1907 a clause (Section 6) was inserted, providing for the collection of a special duty not exceeding 15 per cent. ad valorem, called a dumping duty, on articles imported into Canada of a class or kind made or produced in that country, where the export or actual selling price to the Canadian importer is "less than the fair market value of the same article when sold for home consumption in the usual or ordinary course in the country whence exported to Canada at the time of its exportation to Canada." In 1914, the government of the Union of South Africa adopted a statute closely following the language of the Canadian act. By regulations put into force in Canada on September 1, 1914, the dumping duty is imposed in all cases where the fair market value, as above defined, exceeds the selling price to the importer in Canada by 5 per cent.¹

A clause, modeled on the Canadian law and regulations, was included in the Underwood bill as it passed the House in 1913, but it was omitted by the Committee on Finance in the Senate.

Sugar Conventions and Bounty Systems

The war in Europe has so materially altered the usual conditions of competition in sugar production, that it is scarcely worth while at this moment to discuss the subject farther than to say that, when the great conflict is ended, the question of bounties probably will have to be considered again. This question was temporarily adjusted by the International Convention signed by Austria-Hungary, Belgium, France, Germany, Great Britain, Italy, the Netherlands, Spain and Sweden, at Brussels, March 5, 1902, by which it was agreed that, so long as the convention lasted, all bounties direct and indirect, on the production or exportation of sugar, should be abolished. In this stipulation there was assimilated to sugar the products thereof, such as confitures, chocolates, biscuits, condensed milk, and all other analogous

¹ For fuller details, see Commerce Report, No. 230, October 1, 1915, Bureau of Foreign and Domestic Commerce, Department of Commerce.

products containing a notable proportion of artificially incorporated sugar. A permanent commission was established to supervise the execution of the provisions of the convention. By a protocol signed March 17, 1912, the convention was continued in force till August 31, 1918, but it has been shattered by the war. In this relation we may note the fact that, by the existing Tariff Act of October 3, 1913 (Section IV E), it is provided that, whenever any country or political division thereof shall pay, directly or indirectly, any bounty or grant on the exportation of any article that is dutiable under the act, there shall be levied on such article, on its importation into the United States, even though it may have been changed by manufacture or otherwise, an additional duty equal to the net amount of such bounty. For the purpose of determining such net amount, the Secretary of the Treasury is empowered to make all needful regulations.

Shipping and Seamen

A question agitating the public mind at present is that of shipping and seamen, and particularly the effect upon our carrying trade of the so-called La Follette Act, or Seamen's Act, of March 4, 1915.

Since the breaking out of the war in Europe, freight rates have necessarily been high and space has often been difficult to obtain. This is due not only to the destruction of merchant ships by the belligerents, but also to the circumstance that many ships have been requisitioned by their governments for service as transports. The Government of the United States endeavored to meet the emergency in the first instance by the act of August 18, 1914, which, with a view to facilitate the admission of foreign-built ships to American registry, empowered the President to suspend the provisions of our navigation laws, requiring all watch officers of American vessels in foreign trade to be citizens of the United States and prescribing certain conditions of survey, inspection and measurement. By an executive order dated September 4, 1914, the provision as to watch officers was suspended for seven years, except that a vacancy occurring after two years must be filled by a citizen of the United States, while the provision as to survey, inspection and measurement was suspended for two years. During the six months following the issuance of this order, 133 foreign-built vessels of 475,524 gross tons were admitted to American registry. The rate of accession has since declined; but it is proper to bear in mind that many of the

vessels at first admitted, being the property of foreign corporations owned or controlled by American capital, would perhaps long previously have been transferred to American registry, had the navigation laws permitted it, and that the number of vessels for sale is limited.

Seamen's Act and the War

The Seamen's Act is not a product of the war. It had long been pending in Congress. But, as it materially modifies the conditions that existed after the passage of the act of August 18, 1914, and the promulgation of the executive order of the following month, and gives immediate effect to certain requirements of the International Convention for Safety at Sea in advance of their enforcement by competing nations, it has been strongly assailed. Apart from the provision of the act, which requires the carrying of a greater number of deck hands, rated as "able seamen," than the laws of other countries exact, the clauses chiefly attacked are Section 13, which requires 75 per cent. of the crew *in each department* to be able to understand any order given by the officers, and Section 14, which contains certain requirements as to life-saving equipment and the manning of such equipment. Section 13 took effect as to American vessels on November 4, 1915, and is to take effect as to foreign vessels on March 4, 1916. By a circular of the Secretary of Commerce of September 18, 1915, the language requirement in Section 13 is construed to embrace only "necessary orders" given to the members of the crew in each department "in the course of the performance of their duties," and such orders as may be "normally" given to them "in the course of the usual performance of their regular duties." By another circular of the Secretary of Commerce, dated September 24, 1915, and based on opinions of the Attorney-General and the Commerce Department's Solicitor, it is stated that Section 14, while applying on and after November 4, 1915, to other American vessels, will not apply to vessels registered under the Act of August 18, 1914, till September 4, 1916; that it will not apply at any time to foreign steamers carrying passengers *to* the United States; and that it will not apply to foreign steamers carrying passengers *from* the United States under the flags of countries whose inspection laws approximate those of the United States and that have entered into reciprocal relations with the United States. Such countries are said to be Denmark, France, Germany, Great Britain, Canada,

New South Wales, New Zealand, Japan, the Netherlands, and Norway.

Government Ownership of Vessels

With a view to meet conditions produced by the war as well as by legislation, the formation of a corporation, or of corporations, controlled and financially backed by the government, for the purpose of purchasing or building ships, and running them, has been proposed. This proposal formed the subject of acute controversy during the last session of Congress, and is to be renewed in the present session, not only on commercial grounds, but in connection with the movement for the enlargement and increased preparedness of the navy.

Into the merits of this controversy it is not my purpose now to enter. It is, I believe, generally agreed that the multiplication of merchant vessels under the American flag is desirable. Nor do I understand it to be maintained that this great end can be secured except under a system that will in the long run enable ships to be profitably employed in transportation. Referring to this aspect of the pending proposal, with which he is so prominently identified, the Secretary of the Treasury, in his speech at Indianapolis, October 13, 1915, expressly declared: "We could prove the falsity of the claim that ships cannot be operated under the American flag at a profit." On this demonstration the permanency of any policy in regard to the merchant marine would no doubt largely depend.

Trade with South America

In the public prints our commercial relations with the countries of Central and South America have occupied, during the past year, a large amount of space. Discussion has been rife; conferences have been held and movements organized to promote interest and activity in the subject. It is not my desire to seem to assume a critical attitude. Our mercantile community can hardly be expected to devote itself exclusively to one subject, nor can a great trade be built up in a day. Nevertheless, I venture to ask whether we have as yet shown a capacity fully to meet the situation in the countries to the south of us? Commercially speaking, those countries are in the dawn of their development. Some are indeed far more advanced than others, but they are all, from the industrial point of view, comparatively new. They therefore need what all other developing countries need, what the United States has constantly needed and bounti-

fully obtained, namely, money and credit. Unless we can furnish them with these absolute essentials, we shall lose the opportunity which present conditions offer, and at the end of the war their trade and finance will revert to former channels. European merchants and European bankers will again control the course of commerce, and the United States will be obliged to compete under conditions adverse to success. For these reasons, I would strongly and earnestly impress upon all persons interested in foreign commerce the importance of learning accurately the needs of the countries to the south as understood by their governments, some of which are large purchasers of various supplies, as well as by their bankers and merchants, and of endeavoring by all possible means to meet those needs without delay.

THE CHAIRMAN: Gentlemen, I am sure that we have all been instructed greatly to our benefit in listening to this remarkable address of Mr. Moore's.

We, as business men, are not very much disposed to look at that side of the question; but, from what he says, we can see how interesting it is becoming, and how necessary it is for us to study it and to be governed in some degree by it.

The meeting will now stand adjourned until two o'clock this afternoon.

Whereupon, at 12:40 P.M., a recess was taken until 2 P.M.

FIFTH SESSION

Tuesday Afternoon, December 7, 1915

The Conference was called to order at 2:15 P.M., Mr. Theodore C. Search in the chair.

THE CHAIRMAN: Ladies and Gentlemen, the session this afternoon will be opened by two gentlemen who are going to tell us something about the commerce of the Levant, Mr. J. Wylie Brown, executive secretary of the American Chamber of Commerce for the Levant, which has its home office in Constantinople and branches in other cities of the Levantine countries, and Mr. Robert C. Rindelaub, who has been established for a considerable time in Constantinople as an import and export merchant.

I have the pleasure of introducing to you as the first speaker Mr. J. Wylie Brown, executive secretary of the American Chamber of Commerce for the Levant.

American Relations with the Near East

By J. WYLIE BROWN,

Secretary, American Chamber of Commerce for the Levant.

The trade of the Near East, or Levant, has played a very important role in the history of the world's commerce, and to control this trade has been the ambition of almost every great world power.

In the fifteenth century, following the conquest of Constantinople by the Turks, Columbus set out in search of a sea route to India, which resulted in the discovery of America. This drew the world's attention westward, so that in time the fertile lands that had been the world's granaries for centuries became the pastures and sheepfolds of nomad tribes, and the ships of the nations soon forsook the Near East ports.

But this state of affairs was not to be a permanent one. Ultimately the pendulum began to swing backward. The Suez Canal was opened. Eastbound railroads were built, seeking outlets of the Mediterranean and Black seas, and again the ships of various flags were seen in the ports of the Levant. Places that were mud villages and Arab encampments along the Eastern Mediterranean fifty years ago have sprung into modern cities of one and two hundred thousand population, with paved streets, electric lights, tramways and telephones. Everywhere the spirit of progress is felt, and the theory of an unchanging and unchangeable East can no longer be applied to those countries. A renaissance is now going on there similar to that obtaining in Japan during the latter half of the century. And no force will be able to stop this onward march to progress. Wars and political changes can only delay it temporarily. It is the general feeling out there that when this war is over, no matter who is victorious, the Near East will have an era of peace for two or three generations at least, and an age of wonderful development will ensue.

Industrial Developments

In spite of their antiquity these are new countries exceedingly rich in natural resources. You are familiar with the transformation that is going on in Egypt. The recent wars have revealed the progress and strength of the Balkan States. Turkey, in the last decade, has also seen the beginning of her industrial "boom." The great Mesopotamian valley drained by the Euphrates and Tigris rivers is being irrigated and reclaimed. Irriga-

tion works on a large scale have been completed near Konia. The Constantinople-Bagdad Railroad can be completed in a comparatively short time. And many small railroads have been built in Asia Minor and Syria connecting the larger ports with the rich interior sections. In Constantinople as well as other large cities electric lights, electric street railways and telephone systems have been installed. However, this is only a beginning. More railroads are urgently needed in Asia Minor and Macedonia. Numerous ports and docks must be constructed. Other cities are eager for electric lights and tramways. All these new enterprises will offer attractive and guaranteed profits to foreign investors.

The relative importance of the possibilities and opportunities for American commercial expansion which the Levant offers is not generally realized in the United States. The Levant, or Near East, comprises Greece, Turkey, Egypt and the Balkan States. Here we have a section of the world with an area of 1,685,860 square miles, larger than all Europe excepting Russia, with a population of 55,000,000 and with an annual import trade amounting to \$500,000,000, greater by \$150,000,000 than that of China. Is not a share of this trade worthy of our most serious efforts?

American relations with the Near East have been principally missionary and educational. Our flag in those countries has been seen flying over school buildings and hospitals rather than ships of commerce. There are ten American colleges and numerous smaller schools of various kinds located in Turkey alone. These schools and colleges have been spreading the English language, teaching different industries to the natives and giving out much knowledge of American industries and products. Our teachers, as well as the returning emigrants, have done much to pave the way for American commerce in the Near East.

However, previous to our war with Spain, which marked the beginning of the age of expansion, our trade with Turkey and the Balkan States continued in an embryonic state. American exports to Turkey in round figures amounted to \$50,000 in 1891, \$500,000 in 1901, and to \$5,000,000 in 1911. Our imports from Turkey grew from \$4,900,000 in 1892 to \$7,500,000 in 1901 and \$20,000,000 in 1911. A similar growth has taken place with the other countries of that section. The articles exported from America to the Levant in normal times are cotton seed oil, oleo oil, petroleum, agricultural machinery, hardware, iron and steel

products, furniture, rubber shoes, leather, leather shoes, cotton goods, starch and glucose, pumps, marine engines and motors, coal, lumber, flour, building supplies, automobiles and trucks, bags, carriages, cement, cordage, clocks, canned groceries, drugs and medicines, electric appliances, lamps and lighting devices, metal bedsteads, typewriters, lubricating oils, paints and varnishes, musical instruments, photographic supplies, playing cards, stationery, radiators and refrigerators.

We import from this section carpets and rugs, cigarette tobacco, currants, figs and raisins, opium, wool, skins, mohair, licorice root, cotton lace, attar of roses, emery stone, nuts and seeds, casings, olives and olive oil, marble and bazar goods.

In normal times we buy from the Near East about \$42,-000,000 worth of goods. Yet we are content to sell these countries less than \$10,000,000 worth of our products. This balance is greatly against us. In other words, of their imports of \$500,-000,000 we sell them less than one and one-half per cent. But these figures can be radically changed in the future if we are willing to seriously go after the trade. Including approximately the sum of \$13,000,000 paid to the United States for two battle-ships our exports to Greece for 1914 amounted to \$30,000,000. And during the present year we have been selling Greece, monthly, \$3,000,000 worth of our goods. Since the war began we have been sending to Greece and Egypt almost every kind of article from locomotives to shoe polish.

This increase of trade has come to us partially because of our own efforts to secure it, but largely as a result of the general war. What per cent. of this trade we shall hold and to what extent we shall increase our trade in the other countries when peace returns will largely depend on the American manufacturer, exporter and banker. Shall we consider immediate profits only, continue to quote f. o. b. New York and stay in the bounds of our own country, or shall we seriously and intelligently prepare ourselves commercially for the share of the Near East trade that is justly ours?

Feeling Toward the United States

Today the people throughout the Near East feel very friendly toward the United States and they are looking to us for commercial help—the one great neutral nation that they believe will be able to supply their future needs. The commercial strength of America is better known today than ever before by the people of Greece, Egypt, Turkey and the Balkan States.

However, if we are to control the markets in the Near East in the large number of lines in which we excel, certain facilities for marketing our goods in that section must be brought about. The Levant is a distinct territory with very different conditions from those obtaining in the highly developed countries of Europe, importing its manufactured goods and exporting its raw materials. Therefore, to attempt to handle this trade through agents in Hamburg and in London is fatal to our future with that section.

What the Trade Needs

Time does not permit my dwelling on the needs of our trade with the Levant. Therefore I shall only mention them. Better banking facilities stand first among these needs. A number of our banks already have direct connections with Greek banks, as a result of the war. But we greatly need American banks out there. Germany, England, France and even Russia, Italy and Greece have had their banks in Constantinople for a number of years. Cannot American bankers give similar support to the American manufacturers and exporters?

Also capital will be much needed in the countries of the Near East after the war. American investments will be thrice welcomed in that section, because it is well known that no political string will be thereto attached. An American industrial or investment bank in Constantinople, with branches in the surrounding centers, would no doubt find a rich and profitable field of operation. That trade follows investment needs no proof.

Just previous to the outbreak of the present war there was a direct and regular steamship line between New York and Constantinople with Hamburg-American steamers, making the trip in nineteen days. There were other lines between New York and Philadelphia and the eastern Mediterranean ports. We are assured by the companies that these lines will again be in operation as soon as the trade routes to the Black Sea are opened up. In the early part of the nineteenth century the Stars and Stripes was one of the best known flags in these waters and its return would be very welcome indeed.

As a further means of closer trade relations with the Near East it is highly desirable that the American manufacturers become personally acquainted with these countries and their people. American exporters would find it profitable, I think, to come out and look over the field, visit the leading ports and place samples of their goods on exhibition. In this connection a commercial

excursion of American manufacturers into the Mediterranean is strongly recommended.

The American Chamber of Commerce for the Levant was organized in March, 1911, for the purpose of fostering American trade with the Near East. It now has more than six hundred members, composed of reliable importers and exporters in the Levant on the one hand and American firms on the other. Its headquarters are located in the field at Constantinople, with branches at Athens, Salonika, Patras, Greece; Smyrna and Beirut, Turkey; Bucharest, Roumania; and is now organizing branches in the larger cities in the United States. The Chamber steps in where the consul must stop, that is, where the question of agencies, or of credit, becomes personal and of practical and concrete application. It is a patriotic organization with the executive officers and a majority of the directors American, doing commercial missionary work for America's foreign trade.

THE CHAIRMAN: Gentlemen, it was agreed between Mr. Brown and Mr. Rindelaub that if either of them consumed more than five minutes in their presentation the other would not claim recognition at this time. As a matter of fact, nearly fifteen minutes have elapsed and we shall have to ask Mr. Rindelaub to give way at this time.

I wish, now, to introduce to you Mr. John Aspegren, representing the General Export Association of Sweden.

Address of Mr. John Aspegren

Representing the General Export Association of Sweden

MR. ASPEGREN: Gentlemen, I can readily perceive that after you have heard from all these foreign countries you will know so much about them that, with the intense and strenuous methods of American manufacturers, I would be more than surprised if you did not capture the entire trade of Europe, Asia and Africa.

There is one country that you have not heard from as yet, and while I received the call only two days ago to represent the General Export Association of Sweden and to tell you a little bit about Sweden, I have not had the necessary time to prepare for you any statistics. At the same time I am consoled in knowing that you would not have had time to listen to them either, because the time is very short here; but I think I can give you in a few minutes a general idea of Sweden and what you could capture there.

Changed Conditions in Sweden

Before the war things were entirely different in most countries from what they are now. That was the case with Sweden. Sweden used to buy the products it needed, or a larger part of them, from England, Russia and Germany. Small portions came from other countries; some from America. What she bought from America was shipped from here to Sweden through such ports as Liverpool and Hamburg. The trade was mostly handled by foreign business men who had, naturally, no interest in pushing American goods and did not do it unless they were absolutely unable to supply what was wanted from their own countries.

Since the war things have changed entirely. Sweden can no longer get her foodstuffs from Russia. She gets them from America now. She can no longer get her coal from England, or at least in a very small degree. Strange as it may appear over here, she gets most of it from Germany now. Why should not America supply it?

A great part of the manufactured goods used in Sweden formerly came from England and Germany. You know that every man is needed in those countries today and has no time to turn out anything for foreign countries. Here is your field, gentlemen; and, as is the case with importations into Sweden from other countries, you will find the same state of affairs with exports from Sweden. She used to sell her surplus of various goods, raw materials as well as finished products, to the same three countries. Today she cannot trade with Russia, except in a small way, because Germany controls the Baltic. As far as selling to Germany and England is concerned, I suppose certain small goods can still be sold and shipped there; but the time may come when neither of those countries will be able to pay for them. Their currency is steadily depreciating.

Sweden's Resources in Raw Material

You gentlemen used to buy in England and Germany large quantities of raw material as well as finished products, but you cannot get them now. Sweden has great resources in raw materials. Even now she has large quantities of the finest pig iron in the world, which is finding its way from Sweden to Philadelphia in ever-increasing quantities.

Wood pulp you used to get from Canada, and it is now in very large degree coming from Sweden, and is of a higher grade than the Canadian.

Swedish iron, being comparatively free from sulphur, has been used for the finest products all over the world. The well-known English steel is very largely made from Swedish pig iron.

In the same way you will find that Sweden, as an industrial country, is working along the same lines as Germany and England. What you used to get in those countries you will have no trouble in finding in Sweden today.

I shall not go into various details. I will simply mention that in New York there exists an organization called the Swedish Chamber of Commerce, which will be glad to give you details in regard to everything, and it can give you all those details so that you can capture the trade of Sweden, as well as other countries: something which you are going to proceed to do from tomorrow on. (Laughter and applause.)

Scandinavia consists of three countries: Sweden, Norway and Denmark. Of the three, Sweden is the largest one in population as well as in area. It may interest you to know that the area of Sweden is not very far behind that of Germany. So that you see you have plenty of territory; and, while Sweden has suffered from lack of capital in the past, the development in all lines during the past fifteen years has been so great that she is now able to take care of her own business without the help and assistance of Germany or England; but she would welcome yours.

We are now having direct steamship lines, which we did not have before; and, at the end of this month, the first great passenger steamer, *Stockholm*, of 18,000 tons' capacity, arrives here; so that from now on we shall not suffer from lack of facilities at all.

Ladies and gentlemen, I realize how quickly the time is passing and how much there is to do here; how many people desire to speak, and I am not going into details; but there is one thing that I do not want to forget, before I leave, and that is, on behalf of Sweden, I want to compliment the National Association of Manufacturers on its Trade Conference here during the last three days. It is work of just this kind that makes for progress and development among all the nations of the world. It is work of just this kind that promotes good will and peace among all. (Applause.)

THE CHAIRMAN: Is Mr. Carrasco in the audience? He does not appear to be here.

Gentlemen, the next speaker who will address us is Mr. Ernest E. Ling, manager of the Foreign Trade Department of the National City Bank of New York, a position to which he was promoted recently on account of his important services to that institution. He has lately come back from South America, where he has rendered services in the branches of the bank in Argentina and Uruguay. He is especially conversant with the subject of his paper and will, in a few words, talk to you about the subject of foreign branches of American national banks. (Applause.)

Address of Mr. Ernest E. Ling

MR. LING: Mr. Chairman, Ladies and Gentlemen: This paper before you on foreign branches of American national banks contains some information, but, with the chairman's permission, I shall not hew very close to the line, but, rather, talk about some impressions gained during a period of seven months in a very small part of that huge continent, South America.

The Federal Reserve Act opened the door to the banker and the merchant to go into this field of labor. That field was and is being worked by the world's most experienced bankers and merchants. Those representative bankers and merchants have, by long experience and knowledge of the political, economic and trade conditions and customs of the country, gained a goodly line of customers; and those customers have been retained by satisfactory conduct of commercial transactions with them.

Furthermore, they enjoy a large volume of trade from their investments in those countries, which we have no right to, because we have not, so far, invested in the countries and enabled them to develop their huge natural resources.

Through those investments they have been able to introduce their goods into the foreign market, and the foreigners are conversant with the nature of their goods and an *entente cordiale* has been established.

Such is the condition which faces the United States banker and merchant at the present time. It is a fairly easy thing to make laws which say you may go to work; but it is a very difficult thing to know how to go to work. Temporarily, on account of the preoccupation of the European countries, there is an opportunity presented to us of which we should take the utmost advantage.

Discriminating Buyers

No one can have gone down into those large cities, Buenos Aires particularly, and have seen the highly developed sales organizations belonging to those high-grade houses, and had experience of the buying ability of those people without being impressed. They are undoubtedly the most discriminating buyers in existence in this section of the world. They have the experience of the European markets and the experience of this market too, to a certain extent, so that we cannot expect to deliver them any goods except those which are "according to Hoyle."

I noticed, in talking to a number of those people, that there was a great lack of knowledge on their part of the extent of our manufacturing plants. They constantly expressed surprise when they were told about the manufacturing establishments that we have.

No doubt a good deal of work can be done by merchants actually sending their representative down there and by the banks and merchants making a widespread campaign to inform them what we have here in the way of manufacturing establishments and what goods we can deliver.

We had an opportunity in our branches, which are now established in Rio Janeiro, Sao Paulo, Santos, Montevideo and Buenos Aires, to come into contact with a number of representatives of American houses; in fact, we could pretty well be sure that an hour or two after a steamer arrived at any one of those places those representatives would be in the bank. We got a good deal of valuable information from them, and we hope we were able to give them some useful information in return.

For instance, they would come in and they would want to know what the condition of the trade was in their own particular line and who were the people who would be the most likely buyers, and what the credit standing of those people was.

We have not been established very long there, and we, of course, have experienced very great difficulty in compiling such information; but we have made some headway by courtesy and patience. This information saved many a representative much time and money because it directed him into proper channels.

Selection of the Representative

We have made some headway, and were able to give them some information. It is only by such coöperation between the

banker and the merchant that any great headway can be made. As a general rule a competent, earnest representative going down there, with an honest and good line of materials, will not fail to achieve success in some measure; which by care and patience and continuous endeavor may ultimately result, we hope, in satisfactory trade for the future.

There is undoubtedly a certain degree of suspicion and distrust, probably born of a lack of knowledge about us, in the minds of a good many of the people in that part of South America. There may be some good reason for that. We have not had representatives down there in past years of whom we could be proud or boast; but within the last year or so, there has been a much better class of traveling representatives sent down there, and substantial American concerns are establishing themselves.

For instance, the Armour Company has built its huge *frigorifico* in La Plata. Banks and the Light and Power people are in there, and of course we have had the Singer Sewing Machine Company and others there for years. It is not an uncommon thing, now, to hear Latin-Americans say: "Well, we didn't know what the characteristics of the Americans were until recently"; and they look with a good deal more favor upon us.

The founding of an American Chamber of Commerce at Rio Janeiro and a similar organization at Buenos Aires are significant. These organizations were made up of the representatives of American houses, and they have brought a fine lot of men there.

There are not a great many Americans in Rio Janeiro, only a few hundred in a city of over a million; and, naturally, the native eyes are on the American, to see what he does and what his conduct is; and in just the same way that he conducts himself so will Latin-Americans think about our country.

The United States naturally has been so busy in the development of its own resources that perhaps it has not such satisfactory knowledge of the conduct of foreign trade as the Europeans have; but having built up a domestic commerce which is twice as big as the value of all the foreign commerce of all the countries of the world, including America, there is very little doubt but that, if they apply the same intelligence and integrity to the foreign trade, they will make satisfactory headway there.

Friendliness the Rule

As a general rule the foreigners in those countries are distinctly friendly. It was my privilege to talk with a great many

of them, and I found, as a general rule, that there was only one thing which affected them, and that was: "Can I buy as good goods from you and at equal prices as I can elsewhere? If I can, then it is for me to choose; but if I can buy better goods from you at better prices, I will buy from you." It is all a question of money making, after all. There may be a good deal of politeness and suavity, but it extends down to that in the final analysis.

Our work has proved to us very conclusively that no matter how much we aim to provide facilities and assistance, or how much the government and trade organizations aim to do, in the last analysis it comes down to the merchant; he himself is the man that has to fire the shot. It can only be done by him.

There is no royal road or legerdemain in getting foreign trade. It can only be done in the same way as domestic trade is obtained. And, Mr. Chairman, ladies and gentlemen, I do not believe there is anything more to say except that, knowing what our merchants have done in domestic trade, we need have very little doubt in our minds that if they do the same for foreign trade they will not capture but cultivate more business and get their fair share. (Applause.)

(Following is the full text of Mr. Ling's paper):

Foreign Branches of American National Banks

By ERNEST E. LING,

Manager the Foreign Trade Department, the National City Bank of New York

European banks have for years fostered and produced foreign trade by their Branch Bank Systems—the United States has not had the facilities.

Forty English banks operating in foreign countries have 1,325 branches in South America; five German banks have forty branches and five English banks have seventy branches.

These South American foreign banks, and their branches, have been active agencies for the promotion of trade relations between the South American Republics and their home countries. They have entered actively into the industrial and economic lives of the communities in which they are located. They have been instrumental in building up markets at home for the raw materials produced by South America and in developing a trade market for the products of their own manufactures. England and Germany have put into Argentina, Brazil and Uruguay in the last 25 years, approximately four billion dollars, and as a

result enjoyed before the war broke out, 46 per cent. of the total trade of these three counties.

Prior to the passage of the Federal Reserve Act, no provision existed in our national banking laws permitting the establishment of branches in foreign countries. It is true, that under the laws of some of the States, banking institutions incorporated under State laws might do business in foreign countries. There have been no restrictions either upon private banking firms establishing branches for foreign business, but the extension of branches of State banks or private institutions has not taken place to any degree because, in a foreign country, as can be readily seen, a branch of an American bank, organized under other than national laws, would be at a disadvantage in competing with the strong, influential, foreign banks.

The Federal Reserve Act, however, has made it possible for branches of national banks to be established in foreign countries, and to place back of the branches the prestige and resources of the parent bank. In accordance with this Act, and in response to the very active interest shown by business men in all parts of the United States, the directors of the National City Bank, in June, 1914, authorized an application to the Federal Reserve Board for the privilege of establishing a branch at Buenos Aires, Argentina, and one at Rio de Janeiro, Brazil. The organization of the Federal board was completed in August, and on September 2, permission was granted to launch these two branches.

The bank had already sent down representatives to study the situation and attend to the innumerable details of organization, and on September 26, 1914, the first foreign staff ever sent out by a national bank of the United States sailed from New York to establish a branch of the National City Bank of New York in Buenos Aires, Argentina, which was formally opened in November. In February, 1915, a branch was established in Rio de Janeiro, and branches at Santos and Sao Paulo, Brazil, were opened soon after. Early in August, Montevideo, Uruguay, was added to the list, and a few weeks later the property and assets of the Banco de la Habana, Havana, Cuba, were transferred to the National City Bank of New York, which took over the business of that bank and established the West Indian branch.

Establishment of Dollar Exchange

Thus, within a year, the National City Bank established six foreign branches in South America and this has given rise to an

important volume of direct exchange transactions, the immediate effect of which, and the effect most important to the commercial interests of the United States, being the establishment of dollar exchange upon a permanent basis.

The pound sterling having been the basis of values the world over has been of very great commercial advantage to England. Our people who have sold goods to South America have heretofore been obliged to accept payment in pounds sterling, and, theoretically at least, have run the risk of two exchanges of money, from the local currency into the pound sterling and from the pound sterling into the American dollar. When the exchange market is active and fluctuations are in order the American exporter has been obliged to pay fairly heavy tribute to the English bankers.

Under existing conditions in the New York money market the use of dollar credits is proving to be very attractive to the American importer as the medium for financing his importations. A comparison of the discount rates in New York and London for prime 90-day bills will disclose a difference in favor of New York of 3 to $3\frac{1}{4}$ per cent. per annum. In addition to this difference in interest, there is also a difference in the initial cost in the form of commission for issuance between drafts on New York in dollars and drafts on London in pounds sterling. This difference in commission in favor of New York will average one-half per cent. per annum. Thus, by using dollar credits, the importer will save, in commission and in discount or interest, from $3\frac{1}{2}$ to $3\frac{3}{4}$ per cent. per annum.

Quite apart from the economy to the individual resulting from the use of dollar credits, is the broader question of the economic value to the nation as a whole that will result from the designation of the dollar as the basis of value in our credit transactions with the rest of the world. Heretofore, in order to finance the movement of our enormous imports we have had to call on foreign money centers to furnish us with the necessary credit facilities. This service has cost the United States millions of dollars annually in interest and commissions.

New York as a Discount Market

With the development of a discount market in New York, this city will be in a position to take its place as an international money market, and this will not only make an important economy but by the use of the dollar credit in the liquidation of our pur-

chases abroad will contribute materially to the commercial growth and financial prestige of this country.

With the establishment of branches of American banks in foreign countries, the American merchant has been given that form of personal representation which can only be supplied by a bank of his own nationality. In doing business in foreign countries, many days distant by the nearest mail, numerous difficulties frequently arise in the closing of transactions, in the collection of drafts, and in disputes over shipments, in the settlement of which the American manufacturer has been at an entire disadvantage. At times these difficulties are so serious as to discourage his efforts in the development of an otherwise promising field. The knowledge that his interests are in the hands of a bank which is deeply concerned in the development of the foreign commerce of his country is satisfying and assuring, and offers an inducement to the American manufacturer to put forth his very best efforts for the extension of his trade.

But apart from the services which are performed under what might be termed "banking proper," experience has shown that it is expedient to provide an additional service with the object of bringing together the capable and efficient exporters and importers of the home and foreign countries.

To accomplish this object it has been found necessary to establish and put into operation a new and distinct feature in connection with American banks operating through their branches in foreign countries.

The scope and activity of this special feature designed to assist the manufacturing exporter in his investigations and subsequent conduct of foreign trade demands an efficient working organization and a force of peculiarly qualified experts, with headquarters at home and representatives in the countries in which the branches of the bank have been established. The work of this department in the initial instances is to collect all information relating to governmental, economic, financial and trade conditions, including federal and State statistics, as well as the condition of public and semi-public service organizations. Besides this, it must secure data showing the condition of various lines of trade, and discover what opportunities exist for the expansion of United States commerce—in short discover and disseminate all information necessary as a basis on which to conduct foreign commerce.

It lies with the branch banks to supply the information sufficient to indicate the existing trade possibilities from which United States manufacturers and exporters may determine whether or not they can compete, and whether the opportunities promise sufficient volume of trade to warrant their entering the market.

In order to accomplish this result, a careful study of trade conditions must be made by competent investigators, who, after having made themselves *persona grata* with the sources of information, gather and compile their findings, which are ultimately digested and sent to the home office for dissemination. These trade reports show the general demand for the particular article under investigation; the quantities imported in prosperous and bad years, with the latest figures of exports; the present source of supply and from what foreign countries the demand has been filled; and the stock on hand with wholesale and retail prices. A comparison is made of the invoice prices, together with the freight charges between the United States and South America and Europe and South America. This, added to the customs duties upon the article, gives the comparative cost of placing the American goods in the foreign country as against a competing line from Europe, and may be used as a basis for determining whether or not there is a profit in entering the market. These reports also show the terms of payment which are customary, and the manner of packing. They give a description of how business is conducted in the particular trade in question. They indicate through what hands it passes from the manufacturer to the ultimate consumer, and furnish a list of reliable merchants dealing in the article.

It is obvious that much of the information which is necessary in order to obtain an intelligent and correct trade report, as outlined above, is of a confidential and intimate nature, and it follows, therefore, that the personnel engaged in collecting such information should be highly efficient. Such representatives should have a knowledge of the language of the foreign country to which they are sent, besides the knowledge of the trade conditions in the United States. They should be alert to detect trade opportunities and capable of advising as to the steps to be taken in entering such markets as well as to the practice and conduct necessary to retain business.

When trade information has been obtained from which a manufacturer, after a study of conditions, has been able to judge whether or not he can compete, the next thing he wants to know

who is who in the foreign country buys his products and what their credit standing is.

The exporter who has not visited the foreign country is supplied with information, acquainting him with the address of his prospective foreign customer and a description of his place of business; the lines of goods handled; from whence such goods have been imported; the number of employees in his service; the facilities for distribution, and the character of salesrooms, display rooms and storage facilities afforded by such a foreign merchant. All this information is designed to assist the U. S. A. exporter in gauging his prospective customer. To aid in supplying this information a special foreign credit department is attached to each branch, whose particular duty is to gather and compile credit information. In this way a branch is able to supply the manufacturer and exporter with the special data embraced in the trade reports, and in addition thereto a list of the buyers and their credit standing. *The main object is to bring together the responsible buyers and sellers of both countries, and to eliminate the bad element of incompetent competitors.*

This credit work requires men of more than ordinary ability. The merchants in foreign countries are not accustomed to furnish information in the same way that such information is obtained in the United States, either concerning themselves or other houses with whom they have done business. There is little or no coöperation in Latin-America in the exchange of credit information. Foreign banks established in those countries have operated independently of one another so far as credit information is concerned, and while some interchange exists, it is almost negligible, both as to quality and quantity, in comparison with the interchange of credit such as practiced in the United States. Practically the same conditions exist in the matter of securing credit information from commercial houses. There is also a notable lack of auxiliary credit information bureaus such as we have at home.

It has been found advisable and useful to provide quarters in the branch banks for traveling representatives of United States exporters. When such traveling representatives arrive in the city it is customary for them to make an early call upon the branch bank and to obtain the latest and most up-to-date information concerning the particular trade which they represent; also to obtain the names of buyers in good standing. In this way the branch banks are able to direct the efforts of such traveling representatives into proper channels, and to give them credit informa-

tion in regard to their negotiations with the concerns to whom they desire to sell. Thus considerable time and expense can be saved, and the aftermath of disappointments avoided.

An additional service in the aid of foreign trade is provided by the selection of the names of those willing and competent to act as exclusive agents or representatives of United States merchants.

Selection of Agents

The Branch Banks are frequently asked by U. S. manufacturing exporters to suggest names of firms with whom they may make arrangements to act as representatives in the foreign markets. To supply such names requires keen investigation and discernment to avoid those whose affiliations would be detrimental and to select those whose qualifications are such as to promise activity and integrity so as to secure the utmost trade for the United States manufacturer.

This feature of the foreign branch service is of especial interest and much needed, since one of the chief difficulties experienced by our manufacturers is that of obtaining agents that will tend to build up a continuing trade. Experience has shown that disappointments have arisen because manufacturing exporters have selected as agents those having affiliations or interests in Europe who might be inclined to divert the trade to their old European connections. This condition is recognized by both the U. S. A. producers and the old established jobbing and commission houses in Latin-America, many of the latter decline to take agencies, and frankly state their reluctance in normal times to "push" American goods in competition with the European producers, with whom they have become accustomed to do business; hence, suitable agents have to be recruited from other quarters in many cases.

For some years to come, a branch bank in a foreign country will find it expedient to provide an organization for the aid of United States merchants. It is apparent that the American bank establishing branches in foreign countries assumes obligations and expenses of operation beyond those embraced in the conduct of purely domestic banking. If branch banks are to be useful and successful in expanding foreign trade they must undertake and carry on these costly and constructive special services, and conduct careful, adroit and patient campaigns in each place where a branch is established. Frequently a process of wearing down suspicion in the foreign countries and the cultivation of confi-

dence is found necessary to overcome the reluctance to impart information such as is readily obtainable in this country and which is a necessary precedent to trade. It is only after patient endeavor that any substantial progress is made. It is very difficult to secure for these branches suitable men having the necessary qualifications which must include a knowledge of banking, credits and commercial work coupled with a speaking knowledge of the foreign language and a personality suited to the conduct of business with foreign peoples, and added to this, a physique able to stand the life in tropical foreign countries and an adaptability to foreign modes and customs of living. All these things are new phases and difficulties which do not attend domestic banking but which must be reckoned with in foreign branch bank work. Unfortunately, the United States has not been sufficiently interested in foreign trade to have produced a supply of suitable men, and a task of securing likely young men and educating them is another duty which has to be assumed by any American bank establishing a foreign branch bank system.

THE CHAIRMAN: It has been very unfortunate for us that a previous engagement has prevented Mr. Arnold from attending this Conference. He is the vice-president of the First National Bank of Chicago, Illinois, and is one who has devoted much time and energy to the development of the foreign trade of this country.

As Mr. Arnold is unable to be present, I will ask Mr. Benney if he will read Mr. Arnold's paper, or allude to it in such way as he sees fit.

MR. BENNEY: As the paper is very short, perhaps you would like to listen to the whole of it, as it bears on the subject of the discussion this afternoon.

An American Bank for Foreign Trade

By JOHN J. ARNOLD,

Vice-President, First National Bank of Chicago

During the last century the principal European nations, comprising more particularly those now at war, were all actively engaged in the development of foreign trade. The United States of America, being one of the newer countries of the world, was one of the fields for cultivation. The natural resources of our country were and are of such a character that they appealed to the European investor, and as a result European capital found

lucrative employment on this side of the Atlantic. While this is a well known fact it is equally true that practically all of the development of the commerce between Europe and the United States of America has been carried on without the establishment in this country of European banks for foreign trade. In view of all this the question has been raised by thinking men as to why an American bank for foreign trade should be considered a necessity in the development of our own commerce with other nations. It must be apparent even to those who have but a superficial knowledge of banking conditions the world over that facilities for the establishment of reciprocal banking arrangements can be had only between countries in which strong and substantial banking systems have been developed. On this account Europe in the past has found it advantageous to do its banking business in the United States of America and in Canada through American and Canadian banks, and vice versa.

We as a nation are gradually moving from the position of a rural to that of an urban population, which means that we are gradually becoming more largely a manufacturing rather than an agricultural country, and as a result are finding it necessary to seek an outlet for our surplus of manufactured products. The European nations already referred to have long ago been in this position, and found in the United States of America a natural outlet for their articles of manufacture and in turn received from us our products of the soil. This process of development is still going on. We as a nation, however, are becoming serious competitors with the manufacturing countries of Europe in the newer nations of the world. Competition of this character naturally has brought about new conditions to be reckoned with.

In the first place, the opportunity of establishing reciprocal banking arrangements with the newer countries is lacking, owing to the fact that very few strong, local banking institutions have been developed in Central and South America and the Orient.

In the second place, European nations have already established banking institutions of their own, not so much for the purpose of furnishing banking facilities to these newer nations, but principally for the purpose of developing commerce. While these agencies have been placed at the disposal of American banking institutions for the taking care of whatever business we may have been able to secure, they quite naturally will do nothing to further the trade of their own competitors. But I am presenting an argument which it seems to me is almost unnecessary in a gather-

ing such as this. I am convinced that it is generally recognized that banking facilities having the interest of American trade as their first concern are absolutely essential.

The question of how to proceed to best meet the requirements is the one of greatest importance. The commercial interests of the United States are fortunate in having a man of vision at the head of our largest banking institution. Mr. Frank A. Vanderlip, president of the National City Bank of New York, has had a most powerful influence for good in the banking world. In my judgment his name will stand out in history, more particularly because of the constructive pioneer work done by him through his institution in the laying of the foundation of real American-international banking. Such a movement, however, can only be accomplished by large and powerful organizations. Other banking institutions, of course, have the right and privilege to do work of a similar character. This would likely result in unnecessary competition and expense. I am confident also that Mr. Vanderlip will agree with me when I say that the responsibility of this work should not be left entirely upon the shoulders of one institution, nor of institutions located in one city or community.

As I understand it, it is generally conceded by American manufacturers that coöperation in the development of foreign trade would prove advantageous, and some even claim it to be an absolute necessity. This also is true in the banking field.

On this account we have proposed an amendment to our banking laws, which if enacted will permit banking institutions to subscribe to capital for the establishment of an American bank for foreign trade. This amendment to the law has been recommended for endorsement by the advisory council of the Federal Reserve Board, and has recently been endorsed by the Federal Reserve Board itself.

Participation in such an organization should not be limited to any one city or section of the country, and in this way an organization having for its object the development of foreign trade for the entire nation would likely result. This I think will readily be recognized as an object to be desired. Such an undertaking would properly distribute the responsibility and at the same time limit the liability of the banks interested.

One of the principal objections on the part of some of the directorates of some of our larger institutions to the establishment of branches in foreign countries has been the fact that the

entire assets of the parent institution might be jeopardized through mismanagement of a foreign branch or branches. The development of such an institution would necessarily fall upon the shoulders of a board of directors elected by the stockholding institutions and would naturally be carried on along conservative lines. The strength of the organization would not necessarily lie in its paid-in capital but would be measured by the amount of capital subscribed and in addition to this would have the prestige of the standing of the various banking institutions by whom the organization is owned and controlled. The subscribed capital might be, say, five million or ten million dollars, but the thought is that the law shall provide that payment may be called for only as required in the development of the work.

This movement should not in any way be looked upon as antagonistic to the establishment of branches on the part of any institutions desiring to work along independent lines, but would furnish an opportunity to others who would prefer to coöperate with each other. Personally, I should like to see one large comprehensive organization of an American bank for foreign trade, and it is my judgment that the work already accomplished by the National City Bank of New York could very well be made the nucleus of such an undertaking.

THE CHAIRMAN: Ladies and Gentlemen, the next paper has been prepared by the Committee on Banking and Currency of the National Association of Manufacturers, of which Mr. Ludwig Nissen is the chairman. He, unfortunately, has to send us this letter, which I will read:

NEW YORK, December 6, 1915.

Mr. George Pope, Chairman, International Trade Conference.

DEAR SIR: I am sorry to inform you that I am unable to attend the meeting of the Conference tomorrow, Tuesday, afternoon and, therefore, I must request that Mr. Gonzales, member with me of the Committee on Banking and Currency of the National Association of Manufacturers, say a few words to your audience in regard to the paper we have presented to you on an Independent Bank for Foreign Trade.

I would have liked to take part in the discussion that might follow, but my ideas in this regard are clearly expressed in the paper and I am confident that Mr. Gonzales will be able to answer for me any questions submitted.

Hoping that the Conference will be successful and that some practical results may be achieved, I am,

Very truly yours,

(Signed) LUDWIG NISSEN.

Personally I particularly regret that Mr. Nissen is not here. He has been a co-worker in this Association ever since it started, and a most valuable and effective one; so I am sorry he is not present, but we will call upon Mr. Gonzales, and we know that he can effectively take his place.

Address of Mr. V. Gonzales on an Independent Bank for Foreign Trade

MR. GONZALES: The unfortunate absence of Mr. Nissen allows me the privilege of addressing you again. The project submitted by the Committee on Banking and Currency of the Association in regard to an independent bank for foreign trade is clearly stated in the paper presented, and Mr. Nissen has requested me to answer any questions.

With your permission, however, I will say a few words about this. We have heard a great deal about the necessity for banking facilities all over the world. What are these banking facilities? In what way do they exist?

After you have sold the goods, with a lot of trouble, you have gone fifty per cent. of the way only. The other half of the way is to get your money. It is very easy, or it was very easy, for a good firm to discount its bill on some countries, but what about the other end? How was the money for that bill collected?

I do not want to offend any of the banks, especially those that are represented here today, but you all know that the banks do not collect. They receive the money.

I have been in South America, inside a bank, and I know how they treat the collection of bills. If the bank has a collection of its own against the same man the bank will collect its own account first, and you can not blame them for doing that. They put the foreign collections in the second place.

If the man against whom they have a collection is a good depositor or a good customer of the bank they do not like to bother him a great deal on account of the man who is thousands of miles away. And you cannot blame them for that, either.

Weakness of Present Collection Methods

Now, how have the drafts drawn from this country on all other countries been collected? You cannot expect the banks to do anything else than a banking business; but there are a lot of details attached to the collection of drafts.

I never thought that the way to collect money from a man was to put him up against a wall. Sometimes you need a little elasticity about it. A draft becomes due and, for some reason or other, the man does not pay it. The collecting bank either does not collect at all, or else tries to push that man against the wall. They have their business to take care of. Now, in order that the American foreign trade can be expanded on safe lines, especially at this time, we need not only a bank that will receive the money and remit, but we need the men that will take care of the goods.

You have seen very often, and we have experienced in the Association, the troubles of our members that when, in one case a draft has been refused acceptance, for any reason—there are lots of reasons—the goods remain as a rule in the custom house, unprotected, accruing expenses, exposed to damage; and the unfortunate exporter here knows it two or three or four months afterwards, when perhaps the storage charges and others have eaten a great part of the value of the goods.

When there are accidents happening on the sea, the goods arriving only in part; when there are differences between the contents of a package and the invoice—all those troubles are very familiar to you—do you think any bank located in a foreign country is going to take the trouble, for five dollars or no money at all, to look after your interests? They cannot do it. I do not say they don't do it because they don't want to; they cannot do it. They have other business of more importance to attend to.

You have one line in this country that has been very successful and has helped this country a great deal in its development; it is the sale of agricultural machinery on a long term basis; what you call the installment plan here.

The Bank Would Facilitate Long Term Credits

Why can you not sell in Argentina and Brazil, Ceylon or any part of the world, these steam plows and tractors and all that type of big modern machinery on the same one or two or three year basis you sell them here? The guaranty given by the man in any part of the world is just the same as the guaranty given in this country; but you cannot use that guaranty. You cannot discount it here as you can discount your own paper. If you had a bank that had offices all over the world you could sell machinery under long term plans, and that bank, with knowl-

edge of the man, with knowledge of the country, the land and the laws of the country—that bank could discount one or two or three year notes and give you the money here.

It would be investing in foreign countries, leaving the money here and sending outside the manufactured goods. You know how far that can extend. In what country in the world has agriculture been developed as it has been developed here, on a scientific basis?

Not everybody can buy for cash, nor on very short terms, a machine costing eight or ten thousand dollars. Those machines could be bought, if there was a bank that could discount those mortgage notes, or in any other form that the security might be given.

American Manufacturers Willing to Extend Credit

I have had the experience of talking with hundreds of manufacturers since the war began, especially. They are perfectly willing to sell on credit, provided they can turn over their money here, and that somebody will take care of them at the other end.

I have had the questions put to me one hundred times: "Where can I discount the paper?" and "What certainty have I got that somebody is going to have pity on me at the other end?"

I have seen, not in this country but out of this country, banks surrendering bills of lading against acceptance of a man who was failing a few days afterwards. They do not care. They have not got time to care. The people, especially from abroad, pass as shadows before their eyes.

The banks in every country are more or less entangled with the people who live in that particular city or that particular country. They do not want to displease them. And these banks go into the banking business for profit; and where there is no profit they will not go, except in very exceptional cases when they are trying to open a field.

We want a bank that is going to overlook the profit; that is going to attend more to the service. There are some things that the bank cannot do for business, but that this bank should do for service. You cannot organize a bank of that kind except by coöperation among the people who have interests in the foreign trade.

The subscription of the stock of a bank of that kind has nothing to offer in the form of watered stock or in the form of power. I know that small contributions by a lot of people will take a long time, and it would require great efforts to get

all the money that is necessary; but there are 25,000 people in this country that have interests in foreign trade, and if only \$1,000 was subscribed by each one, as suggested by the committee, it would start with \$25,000,000.

\$25,000,000 is a drop in the bucket, when you remember that our foreign trade is five billions. \$50,000,000 or \$25,000,000 can be turned over twice in one year, because not all the drafts are 120 days or 90 days. Some are eight—three days, six days, ten days, fifteen days, and so forth. So that you can rely upon the fact that \$25,000,000 can turn over \$50,000,000 worth of business.

The reasonable profits on \$50,000,000 are not enough to keep up the number of offices that a bank of this kind should have. There should not be one country in the world where this bank did not have a branch, agency or correspondents.

A Bond Issue Suggested

You would have to have a larger volume of business to take care of it. We have suggested that permission be asked from Congress to issue bonds; because the bonds issued by a bank of this kind would be better than the best gilt-edge bond existing in this country. All the property and all the goods that are placed behind the bonds that are existing today have a value or have not a value. A piece of real estate, if you do not sell it, has no value at all. Merchandise stored in warehouses has no value if you cannot sell it; but the goods that are exported are sold, and within a certain time the money has to come back—gold or the equivalent of gold.

We have no doubt that the bonds issued by a bank of this kind could be placed in any amount. We have suggested the issue of \$100,000,000, which, turned over twice, would make \$250,000,000 worth of business for the bank—a volume of business at a very small profit, at a reasonable profit, without making you pay for the services, nor making the man at the other end pay for the services, but simply taking the things as they are.

That bank would live, and not belong to anybody nor to any group of people or any group of interests, but to everybody. The bank would, therefore, be in a position to serve everybody.

It is necessary that you go to a bank without begging for the money, for God's sake. A man takes business to a bank and he has to beg the bank for the money. I don't say that in every

case it is the same; but in the majority of cases it is. How many people can discount their bills on all countries in the world? How many have been able to do it? Some others have been able to discount everything they wanted. That is society, and that is the trade; but we must have a bank that will serve everybody alike.

So long as the man who discounts the bill is good, the bank should not look at the place where it is drawn, nor the amount of the bill.

Recommended for Consideration

Of course these ideas may be fantastic, to some people. We have studied the matter very deeply, however, and we have tried to cover all the troubles that we have seen in the office, and we have arrived at the point of recommending to a conference of this kind not a resolution, not a recommendation, but a consideration of the question. And I think that if this bank were established, it would not find opposition on the part of any of the other banks, because it would not go into their fields. This bank is not supposed to receive deposits—the main source of profits of the other banks. It would not touch deposits in this country, nor in the other countries. Every country has its banking system, small or big. They all base their profits on the deposits of the people. This bank would not go to disturb, either in this country or in any foreign country, the banking system they have in operation now.

It would only devote itself to buying every single piece of paper that was offered for shipment of goods to a foreign country. It would buy drafts in foreign countries in accordance with the local banks, because it is not trying to make money, but to make service and cover its expenses.

You know very well, when you go to a bank to discount a bill, the banks take from you, in the shape of exchange or in the form of interest, some money for the services, for advancing the money. This bank would not take any more from you than the other banks are taking. You know how the foreign drafts are collected. When you draw a draft on Argentina in dollars or pounds the people of Argentina do not pay that bill in pounds or dollars; they pay it in their money, because they have nothing else.

The conversion of that draft into currency and the reconversion of that currency into a draft of the nation means the exchange profit that the foreign bank makes.

Sources of Profit

The foreign trade for this country before the war was twenty-five hundred millions of exports. How many American banks received the profits in exchange of those drafts in foreign countries? Scarcely any. The profits were left in the hands of the foreign bankers that were handling those collections. The foreign banks in foreign countries welcomed the collection of the drafts, because it is a source of profit in exchange for them: their buying rate of exchange and selling rate of exchange, with a wide or narrow margin, according to the gold obtained. It may be two or three or four or five per cent. We have estimated the profits at only one per cent. So that your foreign customer would not have to pay to this bank any more than he would have to pay to any other bank.

If you have a little time to read the paper that has been presented you will find how easy it is to accomplish it and how little it would disturb the business of the whole country.

After some years, when all the offices were established, all under the management of young men that could be sent from this country to study the needs of that country and the possibilities of it—not for the bank, but for the development of international commerce—how far the foreign trade could go!

I do not think of anything more that I could say in this regard, but if any of the gentlemen present would like to ask any questions on this matter I shall try to answer them as briefly as possible.

(Following is the paper submitted to the Conference by the National Association of Manufacturers' Committee on Banking and Currency):

American Banking Abroad—An Independent Bank

BY THE COMMITTEE ON BANKING AND CURRENCY OF THE
NATIONAL ASSOCIATION OF MANUFACTURERS.

Before the war, it was stated that, because of lack of banking facilities at home and abroad, American foreign trade did not expand as far and as fast as was desired.

This complaint was largely unfounded. There were within the country excellent banking facilities for handling all sound foreign business to and from any country on the earth. American banks

and agencies of foreign banks supplied, under reasonable conditions, all the money needed.

There were no American banks abroad, so to say. A few agencies in some of the principal cities of Europe and fewer still in Asia and Latin America were the only signs of American banking activities outside of the United States.

American Banking Needs Abroad

Had there been, however, American banks all over the world, following the same lines and principles of other foreign institutions, nothing would have been gained. What was wanted was not so much banks to do a general business in foreign countries, as one or more institutions devoted more to the care of accounts and protection of American exporting interests, than to the earning of regular banking profits.

As channels for investments in foreign lands, something not thought of at that time, and as sources of profit arising from the different banking activities, the regular banks and their branches or agencies would have been quite appropriate.

But they could not have stimulated business between the United States and foreign countries, inasmuch as their functions would have been to take care of *themselves* more than to protect foreign accounts, thereby inducing exporting interests to extend suitable credit everywhere.

Effect of European War on Trade and Credit

The war has upset all lines of trade and has placed this country in the most exceptional position—that of taking care of the whole world, at peace and at war. All countries call for credit here, and while some part of it—that relating to financial transactions—can and should be left in the hands of regular banks; the extending of commercial credit, more feared now than before, cannot be done unless it is assisted by an institution devoting all its energies, regardless of the profits involved, to safeguard manufacturers and others doing foreign business.

This does not mean that a benevolent institution should look after the efficient collection of accounts in all places, nor that the cost of this work should be paid in the shape of contributions, but that a bank, earning just enough to cover its expenses and a very moderate return on its capital could do as *service*, what it would not pay other banks to do as *business*. This service was most necessary before the war. To-day it is indispensable.

Manufacturers and exporters have always been willing to ex-

tend reasonable credit, provided they could rely upon someone to look after their foreign accounts, and that they were not subjected to any more than the ordinary commercial risks. They are willing to do so now under the same conditions.

Independent Attitude of Banks Abroad

Banks, American or foreign, did not protect in any way, shape or form, the interests of foreign creditors in any country. They would not act as consignees in any case, and they left goods practically abandoned if for any reason a draft was refused. They would not make Customs declaration, nor clear and store goods in case of need, usually leaving them uninsured, accruing expenses, and in some cases exposed to damage. They would not enforce collection of drafts at maturity, nor would they even rank these in line with their own credits. They would not demand guarantees when necessary, nor would they accept them when tendered. They would not act on behalf of foreign creditors in case of financial difficulties, nor would they take any action to secure fair and equitable liquidation in the event of bankruptcy. They would not act for shippers in case of claims for shortage, damage or mistakes, leaving foreign creditors at the mercy of, sometimes, unreasonable demands which could not be contested. They would not undertake to sell, or otherwise dispose of abandoned goods or those turned over in settlement of accounts. They would not use their judgment and refrain from surrendering shipping papers in case of danger, nor would they warn their foreign customers when needed. They would not follow the business of their customers' clients, nor would they furnish information concerning them except in a very general way. In fact, they would do nothing more than receive the value of drafts when acceptors were willing to pay them.

Banks and Their Depositors in Foreign Lands

Banks in all countries, engaged in a general banking business, receiving deposits, making loans, dealing in foreign exchange, etc., would naturally look after their own interests first. Were they to attend to the interests of foreign customers they would have had to increase substantially their staffs, and then they could not have avoided conflicting interests from different countries. It would have been practically impossible to remain absolutely impartial in the bitter competition existing, and to treat alike their credits and those of their foreign customers.

It is not difficult to realize why banks receiving deposits cannot be expected to press claims of foreign customers that may involve the loss of domestic clients' good will, nor why they should always collect their accounts in preference to those of a far-away customer.

To afford suitable protection to American trade, in a way which would permit unrestricted expansion under safe and sound conditions, it was and it is indispensable to have unity of action through one institution, essentially American in character, which shall devote its entire attention and activity to serving the interests of American business only; having no preference or exceptions to make for its own account and self-protection.

Credit System Needed

The "Cash" exigency of the day is making the export trade much more difficult than it was before, and is creating a widespread feeling against this country. Foreign merchants cannot pay cash, much less cash in advance, as is very often demanded.

Those who will not be convinced of the convenience of extending credit, not even if protected as far as human provision can go, have recourse to an intermediate step—*time without credit*; and this can be done on the "d/p" draft system, (documents to be delivered against payment only), buyers being granted *time* to pay, leaving the goods as collateral until the draft is cancelled in whole or by installments. This involves a great deal of detail work, and is something not liked by ordinary banks which look for a quick turnover of the money with the least possible trouble. It is a service most needed and one that cannot be done properly unless a bank renders it, regardless of the trouble and of the small profit.

Scope of Established Banks

Regular banks, Federal Reserve, National or State, have a very extensive field of their own without resorting to this work which demands a lot of patience and is scarcely remunerative. They should not be willing to see their activities curtailed or embarrassed by displeasing some who are, perhaps, their most important and prominent domestic clients, when trying to enforce collections which necessitate the standing firmly in the defense of foreign customers of much less business importance to them.

A bank having no affiliations at home or abroad, and being merely a machine to protect and collect accounts, would not need good will so much as those which make their profits out of

handling local depositor's money. A bank of this kind cannot be organized except with the coöperation of people interested in foreign trade. Its promotion would have nothing to offer to anyone, and the small possible dividends to be earned would not be tempting to investors, especially at a time when large and quick profits are dazzling the minds of the majority. Small subscriptions by each, as suggested further on, from the large number of concerns needing its services, would assure a capital big enough to operate it successfully.

There is nothing tempting for the average banker: no money to command and no influence to exercise, and it cannot exist except by philanthropy or coöperation.

Unwisdom of Confusing Interests

It is said, with good reason, that manufacturers and exporters should not become bankers. This is perfectly correct: they should not indulge in any other activities than those fitted to their particular lines of business; but a manufacturer would not become a banker by holding stock in a bank of the kind described, no more than he is a banker to-day, because he holds one or more shares of stock in one or more of his local banks.

It is one thing to be a banker and another to be a passive stockholder in a bank. Bank stocks owned by manufacturers to-day, do not make the holders bankers, notwithstanding that many are *directors* and even *officers* of banks. The shares are held as a rule for investment when not for a certain influence in accommodating their needs. The small amount of stock which each would hold in the bank that is suggested, would assure them certain services they do not and cannot have to-day.

Necessity for a Universal Trade Bank

Not looking at the necessity of securing a permanent share in the trade of other countries, which we will not have unless the world is covered with a network of trade ties and affiliations; and considering only the individual interests of each of those doing or willing to engage in foreign business, the creation of an institution which will protect their accounts in all places, and in this form assist them in developing their business, is an absolute necessity.

One of the obstacles which has greatly handicapped American commerce since the outbreak of the war, has been uncertainty as to receiving proceeds of collections. Foreign banks have col-

lected drafts and then have failed to remit because of moratorium provisions or lack of exchange. The whole risk entailed by this delay has been thrown on American exporters, as almost all banks have declined any responsibility if they have not universally done so. This would not have happened, had there been in operation branches or agencies of such an institution as is suggested. It might not have had the power of creating exchange when there was none, but it could have collected in currency, and guaranteed its conversion into American money at a future date; while the head office in the United States would have paid the value collected. The surprising increased balance of trade in favor of almost all countries, is showing distinctly that their exchanges have been available. It is then inexplicable why some foreign banks could not find the means of remitting: the branches of the contemplated American bank would have found the means of doing so.

Proposed Bank to be Exclusively American

It is suggested that there be established as early as possible, a bank devoted exclusively to serve the interests of American foreign trade. Its principal offices would be in New York, with branches, agencies and correspondents, as the volume of business may require, in other cities of the United States, and in all foreign countries. This institution, which might be called

THE AMERICAN BANK FOR FOREIGN TRADE

with branches, agencies or correspondents all over the world, would have extraordinary facilities for accomplishing what all other existing banks cannot do.

The bank would receive no deposits, nor would it interfere in the least with domestic banking affairs. Its business would be confined to the following:

- (a) To buy drafts drawn against bills of lading,
- (b) To collect drafts and accounts in and from foreign countries,
- (c) To advance money on foreign accounts,
- (d) To issue drafts and letters of credit, and
- (e) To accept drafts against shipments or collections.

Services

Through its offices, all over the world, the bank would render the following services:

- I. To gather information on the financial standing and integrity of buyers and others;

2. To gather information regarding opportunities for American goods and activity; study the resources and prospects for agricultural, industrial, mining, commercial and other developments in all countries;

3. To compile lists of local buyers, merchants and others,

4. To assist traveling agents,

5. To receive and distribute mail for its customers, and

6. To assist its customers in local advertising in foreign countries, and in the distribution of American commercial literature.

Bills of lading could be drawn in the bank's name instead of to "order," as is done at present, the bank acting as consignee until bills of lading or goods were transferred to buyers.

In case of accident (general average, partial or total loss, damage, etc.), on the voyage, or in port, the bank would care for the consignment, receive conditional acceptance or payment of drafts, and collect the balance from underwriters.

The Bank as Exporter's Agent

In case of default by the consignee, the bank would make Customs clearance and attend to insurance. It would store goods, hold same for account of whom it might concern, and dispose of them upon instructions. It would store and transfer the goods in bond, or clear them as and when considered safe or convenient, with or without guarantee. It would in every way safeguard the shippers' interests until each transaction was finally settled.

At maturity it would collect the drafts (not merely receive the value) enforcing payment without undue pressure unless unavoidable. Having no preferential claims of its own to care for, all would be treated alike, no discrimination being made between drafts discounted and those taken for collection only.

Advantages of Combination

Combined action on behalf of all American creditors would be immensely beneficial to each; no one securing advantage in one instance and suffering the reverse in others. In case of financial difficulties the bank would be in a position to act for the best interests of all concerned, granting extension of time against guarantees or otherwise if advisable, and avoiding the always disastrous recourse to bankruptcy proceedings. Even in this case, the individual representation of many creditors, whether a majority or not, would secure fair and equitable liquidation of

assets to the advantage of all. Goods would not then be sacrificed unnecessarily, and relations would be closer between American business men and their foreign customers.

Long credit sales on the installment plan, such as are made in the United States especially for the development of agriculture, or for the establishment of industrial plants, public improvements, etc., would become feasible, and would expand this line of trade enormously. Foreign mortgages and collaterals, at present worthless in the United States because of the impossibility of disposing of them, might be accepted and held by the bank at its branches or agencies, and their value advanced to sellers. Knowledge of local laws, of properties, and of individuals, in each place, would permit the bank to carry on this class of business without risk. This would be an investment in a foreign country, but of goods, not of money; the money would remain in the United States.

Business by parcel post, constantly expanding, cannot be done at present, except on open account or payment in advance by buyers; an inconvenience for both seller or buyer. The bank could be the addressee, collecting on delivery of goods or transfer of receipt. There is no business convenience which the bank could not afford to its customers for the promotion and advance of their trade.

Imports

The main purpose of the bank is to protect American trade in foreign countries, and not that of foreign countries in the United States; in other words to promote exports and not imports. However, it could assist American buyers in the purchase of foreign goods, especially raw materials for manufacture. This would accomplish a double purpose: to serve the customer and to utilize drafts against imports as remittances for collections abroad. It would also increase the bank's earnings in exchange.

Capital

The capital of the bank could be, at the start, *Fifteen Million Dollars* (\$15,000,000) divided into 15,000 shares of \$1,000 each, to be increased as and when found convenient: it might be subscribed by manufacturers, exporters, importers, and others interested in foreign trade. As the organization of branches, agencies and correspondents would require some time, the capital could be called in by installments during the period of one year.

Subscriptions to Stock

Subscriptions for stock should be requested in amounts that would cause no anxiety to any stockholder; say, \$1,000 each. It is certainly more difficult to interest a large number of people than to raise the money among a few large stockholders, but the former can be done with success, since it is of personal interest to every one in business to bring into existence such a useful institution.

There are in the United States 101 organizations interested in foreign trade. But these have more than 80,000 members, a large number of whom are probably interested in the business. If only one-fifth were willing to subscribe at the rate of \$1,000 each the entire capital would be promptly taken up.

With a capital of \$15,000,000 turned over two or three times a year (the life of a foreign draft is between 90 and 120 days), and with the aid of the bank's credit through its branches and agencies, a total volume of business aggregating about \$50,000,000 per annum could be handled.

Reasonable earnings upon this volume of business would not be sufficient to pay the expenses of the network of offices needed to accomplish the purposes of the bank. To handle a larger volume of trade additional funds would be necessary, and these could be raised by the issue of short term bonds guaranteed by commercial paper in process of collection.

Issue of Bonds

Banks are not permitted to issue bonds. It would be necessary to obtain an act of Congress to receive authority to do this. As this institution would not receive deposits, nor would it transact any other kind of domestic business, such authority would not necessitate the safeguards that are provided for by the National Bank Act. Its purpose being so beneficial to the country at large, there seems to be no doubt that Congress would consent and grant the application.

Bonds, such as are contemplated, would be readily salable. They would be protected by the best possible guarantee in existence, since goods exported are goods sold, and this means gold forthcoming within a short time. Goods exported ninety-nine times out of a hundred are paid for without fail, because they represent commodities needed, which have been ordered, to be paid for within an average of ninety days.

If savings banks and others are allowed to carry these

bonds (and there is no reason why they should not), there would be a permanent demand for them. The public also would invest in these bonds without fear, as they would have the evidence that they were not based on artificial guarantees or property inflated in value, but on actual gold in transit or its equivalent. An issue of \$100,000,000 earning five per cent. per annum, payable quarterly or half-yearly, and maturing in from six months to five years, would have a ready market at all times.

With \$100,000,000 in cash the bank could handle about \$200,000,000 more of business during the year. This added to the \$50,000,000 which it could handle with its own capital, would make a total volume of business of \$250,000,000 per annum, which would be scarcely six per cent. of the total foreign trade of the United States; ten per cent. of its exports, and only about one-fifth (1-5) of the amount handled, at present, without the interference of any American banking interests.

Assets and Liabilities

The assets of the bank would consist only of:

- (a) Cash with bankers,
- (b) Bills of exchange,
- (c) Advances on foreign accounts, and
- (d) Bills receivable, indispensable to its business, and its liabilities (besides its capital stock) of
- (e) Short term bonds,
- (f) Money received in process of remittance,
- (g) Acceptances against shipments or collections, and
- (h) Bills payable, indispensable to its business.

Before the war the foreign trade of the United States amounted to about \$4,200,000,000 per annum, of which \$2,400,000,000 were exports and \$1,800,000,000 were imports. It was largely handled by foreign banks. American banks had only a small portion of the business, and then mostly in conjunction with foreign institutions.

Some bills drawn for imports into the United States were collected by American banks, but they were financed by foreign banks abroad. Bills drawn in the United States for exports were handled largely by agencies of foreign banks, and collected abroad by same, excepting a portion of the finance or commercial drafts drawn on London, Paris, and a few other European cities.

The volume of business with European countries entirely outside the range of American banks, amounted to more than

\$300,000,000 per annum. Business with other parts of the world, where there were no American banking interests at all, amounted to about nine hundred and fifty million dollars per annum (\$950,000,000) as follows: South America, \$350,000,000; North and Central America, excluding Cuba, Canada and Mexico, \$100,000,000; Africa, \$50,000,000; Asia, \$350,000,000; and Australia, \$100,000,000. Of the remaining \$3,000,000,000, about two-thirds were handled by European banks.

The war has changed these figures substantially. Our exports may now be estimated at about \$3,500,000,000, and our imports about \$1,500,000,000. But this is only temporary, and when normal conditions are again restored we may see the figures go back to what they were. We might just as well hope so.

Profits

Profits on the handling of foreign drafts do not come from the nominal commissions charged, nor from the interest earned on the investment, so much as from the exchange gain, at home and abroad.

Drafts for shipments from the United States were drawn in (1) American money; (2) money of the country of destination, or (3) other foreign money.

When drawn in American money the discounting bank in the United States earned interest for the time its money was invested (as a rule overtime is considered), and a small collecting commission which went partly or in whole to its foreign correspondent. But the collecting bank abroad made the exchange profit in converting American money into the money in which the bill was paid. Such banks charged acceptors, for this conversion, the rate of exchange at which they sold drafts on the United States or other countries; but when buying exchange from the public they paid lower rates. The difference between the buying and the selling rates represent the profit in exchange. This profit was usually close to the country's "gold point," and allowed a margin of between one and two per cent.

When drafts were drawn in the money of destination the discounting bank in the United States made the profit in exchange on converting said money into American money, as well as earning interest on the investment; it sometimes shared in the collecting commission. Exchange profits in this case were not less than one per cent. on the average.

When drafts were drawn in other foreign money there was a chance for both, the discounting bank in the United States and the collecting bank abroad, to make exchange profits. Interest accrued to the bank investing the money. In no case do these profits average less than one per cent.

On a volume of business amounting to \$250,000,000 per annum the bank could well expect to earn an average of one per cent., or, say, \$2,500,000.

Commissions for collecting drafts vary from one-twentieth of one per cent. up to two and three per cent. An average of one quarter of one per cent. would be a safe estimate, and would represent on a total volume of business of \$250,000,000, at least \$625,000.

The rate of interest charged on discount of foreign drafts is, as a rule, six per cent. per annum. The amount to be permanently invested by the bank would be \$15,000,000 of its capital and \$100,000,000 from bond issue. Allowing about \$2,000,000 to be idle, there would be invested at all times \$113,000,000, which, at six per cent., would earn not less than \$6,780,000.

In all, the bank profits should amount to :

GROSS EARNINGS.		
Profits in exchange on \$250,000,000 at 1%.....		\$2,500,000
Collecting commission on \$250,000,000 at ¼ %.....		625,000
Interest on \$113,000,000 invested at 6%.....		6,780,000
		<hr/>
		\$9,905,000
EXPENSES.		
Salaries, rent of offices, and others....	\$3,600,000	
Interest on \$100,000,000 at 5%.....	5,000,000	\$8,600,000
		<hr/>
Net profits.....		\$1,305,000

This would enable the bank to pay a cash dividend of four per cent. to stockholders (\$600,000), leaving a surplus accumulating fund of \$705,000 per annum.

These figures do not include commissions for collecting drafts without advance of money, on which exchange profits would be made at destination, nor fees for services. These fees should be very reasonable and rendered to all, stockholders or not, the former being granted a reduction on general rates or up to a certain amount free of charge.

Character of Profits

Profits would not be made at the expense of American trade nor against foreign buyers, as no additional charges are con-

templated. Shippers would pay no more than what they are paying now for interest and collecting commissions, nor would they sell their drafts for less value than they obtain at present. Their foreign customers would not pay for exchange any more than what they pay at present to foreign banks which collect drafts drawn against them. These profits would be taken from foreign banks, sharing in the business they do in handling American trade.

The volume of business would grow every year, and so would the profits of the bank. Any further capital needed to handle a larger volume of business could be raised, either by increasing the capital stock or by increasing the issue of bonds.

The growing surplus fund would add to the value of the bank's stock at the rate of at least four per cent. per annum, so that stockholders would earn four per cent. in cash dividends, four per cent. in increased book value, and whatever amount of free service was determined.

No Conflict With Existing American Banking Interests

The projected bank would not conflict with any American interests in this line, as none of the present banks covers the same ground. Even if, following the provisions of the recent reform of the National Banking Act, National banks open branches in foreign countries, their action would be more or less the same as that of the branches of European banks: viz., to earn profits in exchange, to turn over local money, and to receive the value of drafts the payees of which were willing to pay.

Then, the figures given before refer to scarcely six per cent. of the normal volume of American foreign trade (\$250,000,000) there remaining more than \$4,000,000,000 worth of business to be handled by other banks. Therefore, there is room for all. But this bank would do what none of the others could or would undertake: that is, the direct care of the American exporters' interests in general.

The bank would not interfere in the exchange market, nor in any of the several other banking activities at home; and it would not receive deposits. It would not, then, be in any way a disturbing factor, but might rather advance the business of other American banks by bringing to them some of the business done at present by agencies of foreign institutions.

Promotion of American Interests Abroad

The bank would not directly promote any enterprise in foreign countries, nor would it invest therein. But the information

gathered through its offices would be offered to the American public, affording an opportunity for the employment of American activity and consumption of American materials. Its interference would be limited to the commercial transactions following.

The bank would be a unique institution, there being nothing like it in any other country. But this is no reason why it should not be established. There are many other features of American business not duplicated elsewhere.

LUDWIG NISSEN,
Chairman.

JAMES MAYNARD.
V. GONZALES.

THE CHAIRMAN: As Mr. Gonzales has suggested, if anyone has any questions to ask upon the subject upon which he has just spoken he will be glad to consider them. The meeting is now open to discussion of this question.

MR. FLEMING: I would beg leave to ask a question, Mr. Chairman. I venture to moot the question for consideration at probably some other time as to how far it would be possible to extend the credits that are needed for our foreign trade without interfering with domestic credits.

The thought that I had in mind was that if we concentrated enough money at the great centers from which there would go out these credits that were necessary to promote our foreign trade, there might be danger of taking away those credits that might be necessary for the promotion of our domestic trade.

The question I wanted to submit to the speaker is this: Whether or not his plan would avoid the difficulty that was in my mind.

MR. GONZALES: I think that we have enough sources of credit in this country to cover what we need, a hundred times over. With the new machinery put in operation by the Federal Reserve banks, so long as you have something good to put behind it, you can go unlimitedly. Besides, you see, the money is not going away from this country. The great thing in advancing the money for shipments is that we leave the money here. You only send out the merchandise.

MR. FLEMING: My point was that you, perhaps, thought these bonds should of themselves form the basis of an issue of currency.

MR. GONZALES: No.

MR. FLEMING: Not at all?

MR. GONZALES: No, no. Investment 4 or 5 per cent. bonds. You see, \$100,000,000 is a drop in the bucket in this country. There would be business for all the banks, because we are only looking for \$250,000,000 of volume of business. That is 10 per cent. of the export and 6 per cent. of the total trade. There would be 94 per cent. of the trade left for the other banks.

But the thing is the having of this bank, with offices all over the world. You would have this service all over the world, furnishing credit information, collecting, taking care of the goods, reporting on opportunities of trade, when the system could be fully put into operation.

MR. FLEMING: Yes. Of course, you have studied this subject and I am merely asking for information; but I have been lately told by some people who profess to be acquainted with the conditions of credits in the interior of the country and in the West that there has been a lack of credits, that the banks were not able to meet the demands that were made for credit.

Now, what I was asking was whether it would not be possible, in providing the credits for these foreign nations under your scheme or any other scheme, to in some way provide those credits without interfering with the credits that are necessary for the domestic trade.

To take the blood out of the veins and arteries of one portion of the body and put them in another portion, however depleted that portion may be, may be dangerous; if you supply the necessary blood in that arm where there is need for more blood, at the expense of the other arteries and veins, you do good in one way but you do harm in another.

I do not know whether or not the gathering together of the money that would be necessary to support the credits for this vast extension of foreign trade, which is so much needed, would react upon the domestic credits or not; and my question was as to whether or not your plan involved the difficulties that might be created by a congestion of the necessary money for this purpose in some channels at the expense of others.

MR. GONZALES: No, sir; we have no fear of that, because, as I say, we have sources of credit in this country that are unlimited. It is like the generator of electricity, where you are using 700 horse-power and the machine is capable of developing 7,000.

I am glad to see, Mr. Chairman, that all the rest of the gentlemen are in accord with the Committee, anyhow, as they do not say anything in opposition. (Laughter.)

THE CHAIRMAN: Perhaps not. (Laughter.)

MR. GONZALES: It looks like it, Mr. Chairman. (Applause.)

THE CHAIRMAN: According to the program the last three subjects, "Foreign Branches of American National Banks," "An American Bank for Foreign Trade," and "An Independent Bank for Foreign Trade," are all open for discussion now. We should be glad to hear from anyone on any one or all of these three subjects.

Gentlemen, we should be very glad to have you take them up. They are certainly live subjects. Every one of them is a live subject, and it will add very much to the spirit of the meeting to keep the ball rolling while it is started.

CAPTAIN WHITE: May I ask a few questions for information, or state the question as I understand it?

THE CHAIRMAN: Yes.

CAPTAIN WHITE: The National City Bank has already established branches in South America for banking purposes. That answers one of the present needs of the exporter.

It is suggested by some of the banks, by some of the members of the other banks, that instead of the National City Bank doing this on its own responsibility, the Banking Act be so changed that a combination of banks may be formed for like purposes.

I understood that Mr. Gonzales has just proposed something entirely different, which will not interfere either with the activities of the National City Bank or the activities of the national bank which would be formed by a combination of banks, but one that is more of a collecting agency. Is my statement of the question correct?

THE CHAIRMAN: That is as I understand it. The subject of "Foreign Securities and the American Investor" is put down for four o'clock, and I understand that we must wait until that hour before asking the presence of the speaker. In the meantime we have with us Mr. George D. Iverson, Jr., President of the American Belting Company of Baltimore, and if Mr. Iverson will give us a few minutes of his time now it will be very acceptable.

Address of Mr. Iverson

MR. IVERSON: Mr. Chairman, Ladies, Gentlemen, Distinguished Visitors, and Guests: As a member of the National Association of Manufacturers availing myself of the privilege to

summarize the policy for the promulgation of foreign commercial activities, from an American manufacturer's viewpoint, and, I might add, I can cite the chief obstacle which has prevented thousands of American manufacturers from securing foreign business.

My occupation, that of a belt manufacturer, affords frequent opportunities to interview our manufacturing customers as to the reason why they had not been able to secure foreign business and the reply, in 99 cases out of 100, has been the same.

The company I represent has expended much effort to secure foreign trade, and I take it this International Trade Conference is assembled for the purpose of ascertaining, if possible, the barriers which have heretofore prevented the American manufacturer from securing America's share of the world's trade.

The speakers who have preceded me for the past two days, have only enunciated to you the methods to pursue to get the business and the facilities we lack after the business is secured. Now the question arises, What is the principal element in getting business?

My friends, let us give the foreign buyer credit for having common sense. That means he appreciates competition. Competition is the life of trade whether in the United States, the Levant or Latin America. Where does the American manufacturer find himself, and what is he confronted with? The primary, fundamental problem of all commercial trade relations, competition; and that the American manufacturer has been unable to meet.

"Unable to meet competition," is the answer given by thousands of American manufacturers interviewed as to why they are unable to secure foreign business. They state: "We have sought it, but we cannot meet competition," and why?

I have a chart here, which I present for your consideration as the best means to photograph on your minds true conditions, demonstrating from the chart, which is divided into three parts, Labor, Materials and Expenses.

The inner circle represents the unit value, be that a dollar, a pound sterling, a mark, or any recognized standard of value. Your first cost is labor; labor governs cost of materials and expenses follow accordingly. Advance the cost of labor; you are in another sphere and you find a higher cost condition. Advance labor still higher, as shown on the chart by the outer circle, and here you find the condition in the United States versus the con-

dition as to relative unit values in other countries in proportion to labor costs. (Indicating diagram.)

It is an easy problem to solve. No foreign buyer is willing to pay—unless forced to, as under the present conditions—\$2 to the American manufacturer for what he can buy for \$1 from a competitive manufacturer in another country. (Applause.)

Who is responsible for this condition of affairs? The answer is—the American manufacturer has allowed himself to become a victim of a dominated political situation.

Mr. Woolley and my distinguished townsman, Mr. Bernard Baker, presented to you the situation of our merchant marine, and what the Administration plans for assistance in the way of a naval auxiliary merchant marine, with which my distinguished friend Captain White does not agree, and which the gentlemen who have espoused its cause admit could be only considered an emergency relief, and a change of administration could bring about its confiscation, leaving the American manufacturer to find himself face to face with the same old policy, as far as a merchant marine is concerned, to which he has been subjected for the past forty years.

The distinguished representative from Russia who addressed this Conference yesterday, in his remarks brought forcibly and clearly to your attention the real reason why American manufacturers have not been able to secure foreign business. I quote from his remarks: "Russia would welcome American capital" and "local labor could be secured at one-quarter of the value of American labor." You will observe American capital is invited to Russia, as capital is welcome to any growing community, but you are advised that labor can be furnished at one-fourth of the value of American labor. Russia does not want American labor, because American labor at its American value would prohibit Russia meeting the competition of her neighbors, and it was further cited to you that the reason the Germans had succeeded in getting the Russian trade was due to the fact that they utilized this cheap labor.

I am not permitted to speak on the war situation, but it has been stated that in seeking foreign trade we should pursue the customs and court the etiquette of the country. Therefore, in addressing American manufacturers, may I greet the American manufacturer in American style, and the way the American manufacturer likes to be met; and that is to get him in a good

humor by telling him a good story, to prepare him for what might happen.

Pat Flannigan and Carl Schmultz lived in Hogan's Alley, and had many arguments over the supremacy of this hallowed spot. Pat on numerous occasions patrolled Carl Schmultz's door with a gun and kept him indoors.

As time rolled on the patronage of Hogan's Alley was conceded to Flannigan. But one day, however, Flannigan was taken ill, and so very sick was he that a doctor was called to his bedside, and the doctor, after carefully examining Pat, said: "Pat, you're a pretty sick man; I do not believe you will live, and if you have any preparations you wish to make I would advise you to prepare."

"Well," said Pat, "send for the priest." The priest came and after greeting the sick man, said:

"Pat, before I can administer the last rites to you to prepare you for the other world I must know one thing. Have you any enemies in the world?" "Yes, Father," replied Pat. "Carl Schmultz and myself haven't got along very well together, and, Father, I hate Carl Schmultz." "Well," said the priest, "you must send for Carl Schmultz and tell Schmultz that you hold no grievance against him, and ask him to forgive you." "Ah!" said Pat, "I hate to do that." "But," replied the Father, "you must do it, Pat." "Well," said Pat, "send for Schmultz."

Schmultz was sent for, and when he entered the sick chamber where Flannigan was confined Pat looked up and said: "Schmultz, all the time I kept you in your house with a gun and wouldn't let you come out, and all the time I abused you to the people in Hogan's Alley and had the people follow me, I didn't mean it. Schmultz, I always thought you one of my best friends, and, Schmultz, believe me, I want you to know that I love you, I like you, I think well of you."

"Ah!" said the Father, "now, Pat, that is the right spirit, and now I feel I can administer to you the last rites."

Schmultz bowed himself out, and after Pat had received the Father's blessing he began to think of all the rights that Schmultz would succeed him to; the right to dominate in Hogan's Alley, the right to govern Hogan's Alley, and that revived Pat's spirit. The next day when the doctor called Pat was much better. The doctor was surprised and said to him, "Why, Pat, you have revived wonderfully; I think you will get well." "Ah!" said Pat, "right away, doctor, send for Schmultz, I want to see him."

Schmultz was sent for and came, and as he opened the door Pat sat up in bed and said to him: "Schmultz, you know all those things I said to you yesterday?" "Yes," said Schmultz. "Well," said Pat, "Schmultz, I want you to understand one thing, if I get well that damn 'bull' of yesterday don't go." (Laughter.)

Friends, that is about the situation we are facing today when it comes to foreign trade. As soon as the warring nations of Europe get well the "bull" that is now being handed to us won't go. You will find them demanding and seeking the position they formerly held in foreign trade, and if we, as American manufacturers, are not equal and not capable of meeting the conditions, and the principal element, that of competition, we cannot expect to develop or hold foreign trade.

Another obstacle that confronts the American manufacturer in developing his business is the lack of banking facilities. We have no real American banks. We have American money lenders, with ambition to pile up surpluses and declare dividends, and whose whole interest and sole ambition is for the American banker.

There are other things I should like to present to you, but my time limit is up. However, there is just one other thought relative to trade conditions I shall present.

As American manufacturers and business men you have learned that transportation utilities and banking facilities follow commercialism wherever it exists. Subsidy in any form, it matters not in what way it may be, is created through a commercial situation, and the best evidence of its application has been demonstrated in our own country. When the great Far West and Pacific Coast offered advantages for development we found the government ready and willing to aid our railroads by conceding rights of way, and such other things essential to enable the financing of utility necessities to bring in close and commercial touch the Atlantic and Pacific, and the inland territory. And when the American manufacturer takes matters within his own hands and is determined to meet the situation you will find merchant marine, banking and all other elements that are essential to the securing of foreign trade will follow; but the cardinal feature the American manufacturer must acquire is to control himself, and until he can control himself—as a competitive factor—he is not in a position to represent himself as an exponent of industry to others. There is but one way for the

American manufacturer to achieve permanent success, and that is to demand and exercise an influence in the element which controls the meeting of competition in the production of the wares and merchandise of the civilized world. That element is labor, and until American labor and politicians are taught that mythical fantastic ideals, which ultimately never materialize, can no longer dominate and inflate the politics and business of this country, and that the value of any commodity is established by competition and not by theories, and you, as manufacturers, the bone of American industry, assert commercial rights, you can never hope to enjoy foreign trade versus a foreign neighbor's competition. I thank you. (Applause.)

THE CHAIRMAN: We have five minutes that anyone may employ in the discussion of these subjects, or in answer to the arguments that have been presented on either side.

HON. W. B. FLEMING (Foreign Trade Adviser of the Department of State): Perhaps this might be an opportune time for me to inject into this Conference a thought which has come to me since I have been in attendance here and examined your program.

You have heard from the gentleman who last had the floor that the paramount question is the control of labor. You have heard much on the subject of transportation and the subject of credits, and then the practical point of view was presented to you very ably by Doctor Pratt, who is chief of the Bureau of Foreign and Domestic Commerce of the Department of Commerce.

All these phases of the problem which you are engaged in considering are highly important; but there is one phase of the problem which I have not even heard so much as suggested here, which seems to be also important.

You may do all the other things that you have been proposing here, and do them in the best way; that is you may succeed in having them carried out, but if you do, you are still going to fail to your object and end unless you do one other thing; and that thought came to my mind especially, particularly when Mr. Moore, the ex-Counsellor of the State Department, was addressing you today. I very much lament that we did not have the opportunity for some questions to be propounded to Mr. Moore, because that would have elucidated the situation from the standpoint which I am now considering.

I say suppose you accomplish everything else that you have proposed. What are you going to do if the foreign nations discriminate against you and put up prohibitive tariffs and raise other mountains of difficulties which you cannot get over? How are you going to control that situation?

You observed that Mr. Moore made some reference to the McKinley tariff and the provisions of that tariff that related to this subject that I am now presenting. You noticed that he also referred to the Dingley tariff and to the so-called Underwood tariff.

Now, gentlemen, you have at present practically no protection in your tariff law of today at all against the difficulties to which I have alluded. The law provides that the Government of the United States may negotiate commercial agreements or conventions with other nations and then submit the proposals to the Congress of the United States for its consideration; so that you can make no commercial agreement at all except upon the approval of both houses of Congress.

No negotiations have been undertaken by reason of the contemplation that seemed to have been in view from that section of the law; and for a very good reason, and that is that you are powerless to protect the manufacturers of this country, the exporters of this country, until you have some amendment to that law.

In every case where the matter has been presented to the foreign governments, and objection made to the discriminations and partiality and favors shown to others at the expense of the exporters of the United States, and it was pointed out to those countries that the United States had been wonderfully good in the last tariff act and had lowered the tariffs, and where that argument was followed up with statistics showing what that meant to those countries and how much advantage they had gotten by reason of it, how their trade with this country had increased and how the duties that were paid upon their goods had been lessened, that appeal fell flat. In no instance has any of the governments said: "You have been good to us and now, in return, we are going to be good to you."

In every instance the reply was: "We won't consider what you have done, but the supreme question with us is: What are you going to do?"

They say: "You are now asking something of us. It does not make any difference whether it is right or just or not. We are not considering that. We are considering the interests of our

country, and we want to know what you are going to give us in return for what you are asking?" That is the question.

I want to say to you that you will soon have to make commercial agreements with practically all the nations of the earth, as has been pointed out to you by the speakers who have gone before, and you are going to come up against all the nations of the earth; and, unless you are able to be protected in those negotiations all your labors here will be largely in vain, Mr. Chairman.

I am sorry not to find upon your program something which indicates that you have been making a study of this important question and that recommendations are not to be considered upon that line.

Mr. Chairman, the Congress of the United States is now in session, and you have no time to lose in regard to this matter. It goes without saying, gentlemen, that as Foreign Trade Adviser of the State Department, I have given some study to this subject. This is not the time or the occasion, and certainly I would not have the opportunity if it were, to present to you my views upon that subject; but let me suggest to you, Mr. Chairman, that, if it be possible, you yet consider the question of having some committee consider what should be done along this line, and have their recommendations, well considered and made, presented to the State Department and to the Congress of the United States before matters become absolutely crystallized there. (Applause.)

THE CHAIRMAN: The next speaker is a man known to all of you by reputation, representing the well-known banking firm of Kuhn, Loeb & Company. Mr. Schiff has been kind enough to present a paper on the subject of "Foreign Securities and the American Investor," a subject which we all recognize as of immense importance at this time, because the country is becoming a lending country instead of a borrowing country, and Mr. Schiff is well posted on matters of investments in foreign countries and in the United States, and his banking firm has been one of the foremost elements in the financing of many of our public institutions and in securing large amounts of foreign capital for investment in the United States.

I take great pleasure in introducing to you Mr. Mortimer L. Schiff. (Applause.)

Foreign Securities and the American Investor

By MORTIMER L. SCHIFF,

Of Kuhn, Loeb & Co., New York

Much is being said and written at the present time regarding the increasing part which it is hoped this country may be able to play in financing the needs of foreign countries, and especially those of South and Central America. It is particularly appropriate that at an International Trade Conference held under the auspices of the National Association of Manufacturers consideration should be given to this subject, as, while it is a fact that trade follows the flag, it is equally true that preference in trade is naturally given to those who will also finance the transactions. The supremacy of European countries in foreign trade and the intensive development by them of this field of enterprise, have been primarily due to the facilities extended to foreign merchants for financing their purchases in the country with which they were dealing. With the advent of the Federal Reserve System and certain developments due to the war, dollar exchange has begun to establish itself, and it is to be hoped that as a result great impetus may be given to foreign trade in this country.

Classification of International Financing

International financing may be divided into three classes of investments, or advances of credit, namely:

- (1) Government loans, including those to States and municipalities.
- (2) Obligations and shares of transportation, industrial and public service corporations.
- (3) Commercial credits and, generally, the financing of purchases and sales of goods and commodities.

With the third category this paper does not propose to deal, as these are purely banking transactions in which the investor has only an indirect interest, and it will, therefore, be restricted to describing some of the conditions regarding foreign securities in this country and to pointing out some of the more important requisites necessary to make such securities suitable for our markets. The average investor naturally prefers investing his

money in his own country, and as a rule can only be induced to go outside of that field because of unsatisfactory interest return on domestic securities or because of some collateral advantage, such as developing trade, or because of sentimental reasons.

Public Interest in Foreign Securities

Before describing conditions, as they now exist, it may be of interest to review briefly and in a general way what has thus far been done to interest our investing public in securities of other countries, or of foreign corporations, and what appear to have been the guiding reasons for doing so. The period prior to the outbreak of the European war must be treated separately from that which has elapsed since, as, to a great extent, different conditions have governed since that time. Coincident with the recovery from the depression of 1893, and the industrial development which took place in the late nineties, such an accumulation of wealth took place that investment securities sold at unprecedented prices and yielded but a very moderate return. As a result the seeking of new markets for idle funds naturally developed, and attempts began to be made to interest our public in foreign securities yielding a higher return than that at which domestic securities of equal quality could be secured. The placing of foreign securities in this country is thus no recent development, and various opportunities have been offered during the past fifteen years, and even earlier, to our public to make such investments. In this way there were sold in this country, prior to August, 1914, considerable amounts of foreign securities, including some of industrial enterprises. These latter have, however, to a great extent, been privately placed, and the public offering has been almost entirely restricted to bonds of governments and municipalities, or securities having a government guarantee, except in the case of securities of Mexican railways.

Foreign Loans

Among the larger loans provided by this country have been those to Mexico and its enterprises, in 1899, 1904, 1906, 1908, 1909 and 1913; to Japan in 1904, 1905 and 1907; to Germany in 1900; to the City of Frankfort in 1901; to Cuba in 1904, 1909 and early in 1914; to San Domingo in 1908 and 1913; to San Paulo in 1907 and 1908; to Argentina in 1909; to China in 1911; to Liberia

in 1912; to Austria in 1912, and to the City of Tokio in 1912. But it may be of interest, without going into detail as to all of them, to briefly describe the considerations which made some of the more important of these issues suitable for offering to our public. For instance, during 1904 and 1905, the period of the Japanese-Russian war, over \$200,000,000 of Japanese Government bonds were offered to investors in this country and met with a very cordial reception. Much of the success of these issues was doubtless due to the sympathy which the American people had at that time with the Japanese in their struggle with Russia, as was shown by the avidity with which small investors all over the country subscribed for the bonds. This was also due to the fact that the bonds were exceptionally well secured, yielded a high return and sold at a premium after their issue, so that it became a profitable transaction to subscribe to the successive issues. Furthermore, the loans placed in this country formed part of larger issues, which were simultaneously placed in European countries, and were payable in various currencies, so that a world-wide market was secured. This latter is one of the most important considerations which governed the placing of foreign securities during the period prior to the war and constituted one of the greatest, if not the greatest, inducement to the American investor. By buying a bond payable as to principle and interest not only in dollars, but also in sterling, francs and marks, and listed and dealt in on the principal stock exchanges of the world, he received the assurance that when he desired to sell he could seek the most favorable market. It was to be presumed that if there was financial stringency here conditions would be better in London, Paris or Berlin, and international securities would be salable, when purely domestic ones might not be. The best example of this is the fact that during existing conditions in Europe the one class of securities upon which investors there have been able to realize without difficulty have been their holdings of American securities. This has been of great assistance to their governments, who have thus been able to secure balances here for financing at least a portion of their needs in this country. As a matter of fact, a very large part of issues of this nature made prior to the war were sold by American holders, and while no definite figures are available, there is little question that a very large portion of these loans gradually drifted to Europe, and that at the outbreak of the war only a comparatively small portion was still held here. In other words, the pur-

chase of foreign securities of this nature in this country was rather spasmodic in character and due to temporary conditions, which led our investors to invest temporarily some of their funds in such securities. A certain amount of foreign securities have been absorbed by insurance companies, who required these for investment on account of laws of foreign countries in which they operate, but the individual investor has apparently bought them more as a speculation than as a permanent investment.

Financing Latin America and China

The participation of this country in financing Mexico and its railways and industries has been somewhat different in character. Here we have a case of a country very near us and it was natural that our public should take an interest in its development. The principal railway system was in fact originally an American corporation, and its securities were largely held here. The Government of Mexico seemed permanent in character and its transportation and industrial enterprises seemed so closely to approximate our own that investors did not differentiate much between them and ours, except to the extent of desiring a higher return on the money invested. When troubled conditions arose, European countries did not wish to advance any more money to Mexico unless this country also participated, as it was felt that we had so particular a relation to the situation there that our participation was almost an absolutely necessary condition to anybody interesting themselves in the affairs of that unhappy country.

China and San Domingo again had different reasons for the appeal being made to American investors. In China it was, to a great extent, to help our diplomacy and to furnish this country with the same facilities as were at the disposal of others. All the European governments had financial groups upon whom they could rely and upon whose coöperation they could count to maintain their sphere of influence. It was to place this country in the same favorable position in having its share in the development of China, and the maintaining of the open door and free opportunity for all, that American bankers took up the question of Chinese financing.

In San Domingo it was a case of our government taking hold directly of the readjustment of the debt of that country and bringing order out of chaos, and American investors were found to provide the funds necessary to assist our government in doing so.

Effect of European War

With the advent of the European war a different condition arose. European markets being closed, foreign countries and enterprises have naturally turned to us to finance their needs. The moment was opportune for this on account of the ease of our money markets and the large amount of capital available; but even in the case of countries not directly engaged in the war high rates of interest have had to be paid to induce the American investor to respond. Practically, all the loans to European countries, both belligerent and neutral, have been conditioned upon the requirement that at least a substantial part of the proceeds should be expended in this country, and have thus had as their main purpose the financing of our export trade. In this connection it should be stated that it has been the practice of European countries, and particularly France and Germany, to insist when making foreign loans that a large part of the proceeds should be spent in the lending country. This has gone so far as to be made a condition by the governments precedent to approving the listing of such securities on the stock exchanges. Among the loans placed publicly in this country since the outbreak of the war have been those to Sweden, Norway, Switzerland, Panama, Argentina, Italy, France, England, Canada and various Canadian provinces and municipalities. They have taken as a rule the form of short term loans, and as they have been made to meet a special condition existing at the present time they can hardly be considered as indicating a permanent participation in financing the needs of all of these countries.

Influence of Return of Normal Conditions

When normal conditions are restored it is to be assumed that these countries, with the possible exception of Canada and those of South and Central America, will be able to finance their needs again at home, or in the markets to which they have been accustomed. As regards South and Central American countries, which have turned to us to provide their requirements when they found it impossible to raise money in Europe, they have been accustomed to rely upon foreign loans and will probably be in that position for some time to come. In their case it is to be hoped that by a process of education our investors may come to have a sufficient knowledge of such securities to take an increasingly

larger part in financing such countries, and that an influence may thus be exercised and a relationship established which may have a far-reaching effect on our foreign trade. In that the manufacturer and merchant must, however, do his share, by being willing, if need be, to make some sacrifices to do business in foreign countries, even if there seems to be plenty of opportunity for him in domestic markets. Furthermore, the American investor must feel confident that our government will protect his legitimate investments in foreign countries.

Government Support of Investors

It has been a great safeguard to the European investor that he knew that if a foreign country failed to live up to its engagements his government not only was ready, but would back him up diplomatically and even otherwise in enforcing his just demands. The courts are not open to international financing, as in the case of corporate enterprises, and war ships must unfortunately take the place of receiverships and foreclosures. Until we can feel certain that our government will maintain the rights of American citizens, who have made legitimate investments in foreign countries, it is hopeless to try to create here a real market for foreign securities. Experiences, such as American investors have had in Mexico, where apparently nothing has been done to safeguard their rights, not even to the extent of seeing that customs duties specifically pledged to bondholders have been made available to them, does more to militate against foreign investments by our public than all talk of foreign trade and America as the eventual financial center of the world does to encourage them.

No mention has been made of American investments in foreign industrial enterprises, such as mines located in foreign countries, as for the most part these either are privately held, or are owned by American corporations and operated under American management. They can, therefore, hardly be considered as investments in foreign securities.

Prerequisites in Foreign Securities

Having thus briefly reviewed, in the most general way, conditions as they have existed up to the present time, and as they now exist, let us see what the necessary requisites are to make foreign securities attractive to American investors and what the difficulties are with which issuing houses and bankers have to

contend and what the problems are they have to solve. It is to be assumed that loans to European countries are temporary in character and due to momentary conditions, and consideration of the subject, therefore, had better be restricted to dealings with countries of South and Central America, which should in future form the largest field for our activities. We must, however, not overlook the fact that, while we may gradually become so, we are not yet in normal times a lending nation. We still need large amounts of capital for our own purposes, and notwithstanding the large amount of our securities which we have re-purchased during the past fifteen months, a very considerable amount is still held abroad, for which we must be prepared eventually to make payment, either by re-purchasing them, or by meeting them when they mature. In addition, it must always be borne in mind that our investing public is still, in large measure, timid about investing money in foreign countries, and prefers domestic securities to such an extent as at times to make the difference of return between foreign and domestic securities of similar quality offered in our markets, seem almost absurd.

Banker and Client

The banker is, of course, dependent on his clients, the ultimate investors; and while he can do much by a proper presentation of facts to educate them, in the final instance he is forced to adopt their views and can successfully offer and place only securities which meet with their unqualified approval. Every country has its own methods of doing business, and ours differ in some particulars from those which were prevalent in London, Paris and Berlin before the war. Our methods of distributing and handling securities are not the same in all particulars as those which were in use in European countries, and this, as well as the considerations already stated, must be borne in mind in determining the type of security to be offered and the basis on which it is to be placed. It does not follow from this that our methods are better, but they are different, and, as a result, a security which, under normal conditions, might find a ready European market, might be very difficult to deal with here. It must not be forgotten that Europe has been making foreign investments for generations, while with us it is a matter of comparatively recent development.

Government Finance

To take up, first, the matter of government finance, it is very important that the investor should be assured that the borrowing

country is economically administered; that in its annual budget income and expenditure balance; and that the proceeds of any loan wanted are to be used for productive purposes. From the point of view of the investor dreadnoughts and rifles are not good security. A country should provide, preferably out of its own budget, through taxation of its own people, or by internal loans provided by them, for all that might be called non-productive expenditures, and it should restrict, if possible, its foreign borrowing to such purposes—public works, railroads, irrigation, etc.—as may be self-supporting. In this connection the policy adopted last year by our own great City of New York may be of interest. On September 19, 1914, the Board of Estimate and Apportionment of the City of New York determined that the cost of all improvements of the revenue-producing class, such as rapid transit, docks, railway and water terminals and water supply, should be defrayed by the issue of 50-year corporate stock as before, but that the cost of all permanent improvements, other than those of the revenue-producing class, thereafter authorized by the Board, should be financed as to a definite and decreasing proportion by the issue of 15-year corporate stock, either serial or amortized, and the balance through the medium of a one-year bond, payable from the next annual budget. This policy contemplates the financing of improvements authorized during the year 1918, and subsequent years through the inclusion of the entire cost thereof in the annual budget of the city, excepting the revenue-producing improvements mentioned above. Attention is called to this policy, which was adopted by the municipal authorities of New York City at the height of the stress and strain ensuing upon the outbreak of the European war, and which even under these trying conditions was found entirely satisfactory by bankers and investors, not as embodying a hard and fast plan to be followed in every case, but as illustrating the general principles which it is desirable to adopt in government and municipal financing in order that investors may have the greatest sense of confidence in the investments of this kind they are invited to take.

Desirable Form of Foreign Securities

In financing productive enterprises in foreign countries, the most acceptable form of security is probably a bond having a direct lien upon the enterprise itself and guaranteed by indorsement by the government, rather than a direct government obligation.

There is a disinclination on the part of some governments to pledge specific security, but by so doing and making the bonds to be issued primarily the obligation of the enterprise for whose purposes the proceeds are to be used, the best results as a rule can be accomplished and the best market be secured. This is, of course, based on the proposition that governments should be administered like large corporate enterprises in a business-like manner, and that public works are undertaken, not for political purposes, but because they are needed by the country and will yield a proper return.

Where, however, it is not feasible to issue such a guaranteed obligation and consequently a direct obligation of a government is, for one reason or another, the type of bond selected, a definite pledge, for the service of the loan, of all or a portion of some definite form of governmental revenue will always prove of advantage. This may not always be necessary, but with countries still in course of development and dependent on foreign financial assistance the investor seems to feel that he has the right to expect that some definite security be given. While at the start it may be necessary to do this in order to open markets and inspire confidence, if in the course of time the record of the borrower justifies it, the normal course of development may permit the placing of loans not specifically secured. Our public has never taken kindly to debentures or other unsecured obligations and has become accustomed to mortgage security. If, therefore, it is desired to interest the American public in foreign securities, it is important that in every instance in which it is practicable mortgage security should be given.

Laws in Foreign Lands

From this it follows that the laws in the foreign countries, in which the securities are domiciled, must be such as to give full protection to the foreign lender, so that, in case of need, he can proceed without difficulty to foreclose upon the property on which he has a lien. Any difficulties in the laws in this respect will militate very much against the possibility of placing such securities in the United States. Loans to be placed in this country should also, if possible, bear a definite relation to trade with this country, and the proceeds should be used for such purposes as will best further this trade. Our investors will give a much more favorable reception to a loan which they feel stimulates our

trade than to one issued for purely internal needs of the borrowing nation.

Assuming that the general principles just stated are followed, the exact form of the obligation proposed to be offered to investors in this country is a matter which must be dealt with in each particular instance, and no general rule can be laid down as to this, since it depends almost exclusively upon conditions existing at the time of the negotiation of the loan. At certain times a short-term note is the only feasible type; while, at others, a long-time or a serial bond can be sold to good advantage. As a general proposition, however, short-term securities should be avoided, if it is at all practicable, even though by doing so the borrowing government is obligated to what may seem to be a high rate of interest for a longer period of time. If financial conditions should change and money be procurable at materially lower rates advantage can be taken of the redemption provision, which should be embodied in every long-time bond. As a matter of fact, however, experience has shown that, generally speaking, there is no economy in short-time borrowing—to say nothing of the danger involved for the borrower in running up a considerable debt with an early maturity. For the same reason a sinking fund should also be provided, if in any way possible, in order to reduce the amount which must eventually be refinanced.

Responsibility of Issuing House

It is, of course, of the greatest importance that such type of security be selected as the issuing houses can unqualifiedly recommend. On the other hand, the issuing houses must cooperate with the borrowing nation in making the security of such character as to render it certain that the latter can surely and punctually meet the engagements it undertakes. A security, even if successfully issued, whose terms are too onerous upon the borrower is not the proper one to offer to our public; and if, as a result of such onerous terms, defaults should occur, the effect may be disastrous upon further placing of loans of the borrowing country in question, and, indeed of foreign loans in general.

Stability of the Foreign Government

Then there is the broad question of the stability and permanency of the government of the borrowing country. Unless that is assured and our investing public feels confident that it will be

maintained, it is hopeless to try to place the country's securities in the United States. Small loans rarely find a ready market, as the investor naturally dislikes purchasing a security forming part of only a small issue, since he knows that in case he desires to sell he will find a narrow market, if one at all. It is, therefore, probable that for some time to come public issues of foreign securities in this country must be restricted to the larger issues of the more important countries, although from time to time smaller amounts may possibly be dealt with in the form of treasury bills, or other short-time securities.

Distinction, Government and Corporate Finance

With regard to corporate finance, as distinct from government finance, the same tests must be applied in judging the adaptability and availability of the securities of corporations for placing in this country as if they had to do with the domestic enterprises of the United States. Latin-American countries have, however, one great advantage over us, and that is their system of definite concessions to private business enterprises for definite periods of time. Their Governments have thus assumed a contractual relationship with such business enterprises, by which the latter have been assured of undisturbed possession of the rights granted them; and, in some instances, and particularly in railway enterprises, of minimum rates of compensation and of freedom from competition. Corporate enterprises of this character, properly established and successful in their activities, should in time find in this country a market for their securities. Enterprises in course of construction are always difficult to finance, even when they are located in our own country; and this would, of course, be even more true of those located in foreign countries. For these, government aid by way of guaranties or otherwise would probably be necessary in order to make their securities marketable here.

Danger of Misapprehension: America Versus Europe

In conclusion, it should again be emphasized that it must not be assumed because a number of foreign loans have been placed here that this country has suddenly become a world market for securities, and is in a position wholly to replace the European markets upon which these countries have heretofore, to a great extent, been dependent. It is true that, owing to the war and the great—though probably temporary—abundance of money, we have for

the time being become the only open financial market and that, as a result, it has been possible to place some foreign loans here. This has been, however, to a considerable extent forced placing, and the investor has had to be tempted by high rates of interest. This has held true of European as well as of South American loans. The better knowledge of the entire class of foreign securities is, however, steadily growing in the United States; and we are justified in the expectation that in time we can build up a real clientele here for this type of loans. When once the investor is convinced of the safety of many forms of foreign obligations it should become feasible to place such loans here on their own merits, and on a basis comparable to that upon which our own securities of similar character are placed. This process cannot be artificially hastened; but, if the normal development is allowed to take place, without too much pressure being brought to hurry it, or to foster it on hastily devised and artificial lines, we may look forward with confidence to a sound growth of our investment market for foreign, and in particular, for South American securities.

Scrutinizing Securities

Great care must, however, be taken in respect to the quality of the securities which are offered to American investors. Just as the credit of a number of our own enterprises has been seriously damaged through mistakes of management, with a resultant effect on some of our domestic securities, so will irreparable damage be done to the possibility of financing foreign countries here if mistakes are made. It takes years of time and every manner of precaution to establish confidence; but it may be destroyed in a moment. Investors in this country are still timid as to foreign investments and have not yet fully learned how to discriminate. They now rely to a great extent upon their confidence in the judgment and standing of the issuing houses that offer these investments. But finally the public itself learns to differentiate between the good and the bad, and it is only by a record of solvency and proper administration that its approval and interest can be permanently secured.

THE CHAIRMAN: I am sure we have all been greatly pleased to have this paper presented to us by Mr. Schiff.

I now have an announcement to make: The Nicholas Power Company, through Mr. A. J. Lang, export manager, who is a

delegate to this Conference, announce that all delegates from foreign countries are invited to visit one of the largest motion picture studios on Friday of this week as their guests.

I have also a signed statement from Mr. Lang saying that they have arranged with the executive secretary of the Motion Picture Board of Trade to meet the foreign delegates at the Hotel Astor at 9:30 A.M., Friday morning, the 10th instant, and take them to the motion picture studio. The Company also announce that they are willing to take a motion picture film of all the delegates on the steps of the Hotel Astor tomorrow morning at 9:30.

We now have as our next speaker Mr. J. Santilhano, of the Guaranty Trust Company, of New York.

In introducing this speaker to you I am glad to bring to your attention the subject of his paper, which is: "Foreign Securities and their Influence on American Foreign Trade."

Mr. Santilhano has had wide experience in marketing securities in Europe. I take great pleasure in introducing to you Mr. Santilhano.

Foreign Securities and their Influence on American Foreign Trade

By J. SANTILHANO,

Of the Guaranty Trust Company, N. Y.

It is impossible to lay too much stress on the necessity of promoting a campaign for the popularization of foreign investments throughout the United States.

Relation Between Our Trade and Foreign Investments

Not alone will the growth and permanency of our export business depend on it to a large extent, but the much discussed prosperity of to-day is entirely abnormal and due to specific causes. The large inflow of gold into the United States is caused by a temporary suspension of the economic laws that govern conditions in normal times, and it may be predicted with reasonable certainty that we shall be called upon to release large sums of the metal after the war, when those laws become again operative. In order that such a movement shall not embarrass us, it is primarily necessary that banking reserves be well maintained and banking funds kept in an exceedingly liquid condition, yet it is conceivable that with the continuous inflow of gold and the inflated credit basis thereby created we shall lose control of the

situation and far-reaching harm overcome us. We should not lead ourselves to believe that we are going to remain entirely immune from the ill effects of the European War. Modern international credit and trade relations are too closely interwoven for us to expect to escape the shock and period of adjustments that are bound to follow the end of the war. The abnormal and favored conditions enabling us practically to dictate our will to the rest of the world in the sale of foodstuffs and manufactured articles should be recognized as entirely exceptional.

Whether we are going to succeed in maintaining our unique strategical position will depend on the efforts of our merchants and manufacturers to capture foreign markets, the desire and ability of our merchants to extend legitimate credits to foreign customers, and last, but not least, the ability and willingness of the United States to use its surplus funds in the development of the various new markets captured.

If we can succeed in forcing foreign countries to become indebted to us on a more permanent basis and not merely as the result of a temporary trade balance we shall hold in our possession the most powerful and sensitive instrument for protecting ourselves against sudden changes in the present abnormal conditions. At the same time, if these funds are prudently invested, we are buying with them a prolonged term of real prosperity for our industries. The ways in which we can extract a regular tribute from other nations are mainly three-fold: firstly, the profits on our foreign trade, secondly, the income from our investment in foreign securities, and thirdly, the tolls we raise in the form of ocean freights by American steamers from other nations. The opportunities in the latter respect are somewhat obscure owing to existing laws and regulations, but there are signs even in that direction that people recognize the dangers of experimenting and continuous deviation from the tried and beaten track.

Does it not seem illogical that we should readily invest in Japanese Government bonds—as we have done more particularly since the outbreak of the European War, and yet allow our own Pacific shipping business to fall entirely into the hands of Japan? Analyzing this situation, it simply means that we are furnishing Japan with money at a low rate of interest, and the Japanese are wisely using part of this money to expand their commerce and shipping, the United States merchants and manufacturers paying in turn a very much heavier rate of interest in

the form of ocean-freights, than the United States investor is charging Japan. Can we blame the Japanese? No, certainly not! It is good business on their part. But what about our side of the transaction?

Results of Foreign Investments in the United States

The time is opportune to ask one's self what steps should be taken and avoided to promote the consolidation of our financial supremacy of the world. In this connection it is interesting and instructive to review the history of our own country in this respect from the middle of the Victorian Era up to the present time. The United States as a country has been peopled principally by immigration from the various European countries. After a period of study and after having overcome the many difficulties often encountered in the way of climate, soil, etc., these immigrants were able to send glowing reports to their folks abroad of the unexampled possibilities, the richness of the soil and of the tremendous opportunities for the investment of capital in this new country. In some cases, these friends and relatives were induced to come here themselves, bringing with them the whole or part of their financial belongings. In other cases they came here on their own accord prompted by the desire to see and study from closer range all that had been reported to them. These personal visits often led them to authorize the making of investments in lands or other property. Still later, the bankers, as financial sponsors for these European countries, came personally in order to investigate conditions on the ground. They, in turn, became so thoroughly convinced of the values which were offered to them that they used their influence at home towards the drawing out of capital to be used in the development of the many opportunities scattered throughout the vastness of the United States. *It was they who marshalled part of the surplus capital of European countries for railroad construction first, for the development of mining enterprises, the upbuilding of industrial enterprises and the financing of public utility properties later.* This process had been going on at an ever-increasing rate up to shortly prior to the outbreak of the European War. Needless to say not all European capitalists in selecting their investments within the United States always fared equally well, but reviewing these investment activities for a long period of years we arrive at very remarkable results.

Foreign Securities and American Foreign Trade

SOME AMERICAN SECURITIES LARGELY BOUGHT BY EUROPEAN INVESTORS A GENERATION AGO	PRICE THEN RULING	HIGH LEVEL SINCE ATTAINED Not to speak of valuable rights received in some cases
Chicago & N. Western Ry. Stock	49	270
North West. Union 1st 7's 1917	87	132
Winona & St. Peter 1st 7's 1916	86	132
Madison Ext. 1st 7's 1915	86	130
Menominee Div. 1st 7's	85	130
Chicago, Milwaukee & St. Paul Stock	80	193
First 5's 1921	95	120
Lake Superior Div. 1st 5's 1921	91	118
Illinois Central Stock	80	180
Montana Central:		
St. Paul, Minn. & Man. 1st 6's 1937	108	135
" 1st 4½'s 1937	96	116
Pittsburg, Fort Wayne & Chic.Ry.pref.Stock 7% guar	100	180
South Pacif. of California 1st 6's	95	125
" Arizona 1st 6's	95	125
St. Paul, Minn. & Man. Cons. 6's 1933	100	137
" 4½'s 1933	97	112
" Pacif. Ext. 1st 4's 1940	80	100
Utah & Northern (U.P.) 1st 5's 1926	93	117
SOME FOREIGN SECURITIES LARGELY HELD IN EUROPE	AVERAGE PRICE BEFORE WAR	PRICE TO-DAY
British Consols 2½%	75	57
French Rente 3%	90	57
German Reichs Anl. 3%	78	50
Russian 4% Govt. & Rrd. Bds	85	55
Austrian 4% Rente	90	60
Netherlands 2½% Rente	67	63
Danish 4% Rente	97	77
Swiss 3½% Rrd. Bds	90	...
Christiania 4% Bonds p. 1952	99	85
Unified Turkish 4% Bonds	84	50
Unified Egyptian 4% Bonds	100	83
Brazil 5% Funded Loan	102	73
Argent. 5% Sterling Loan	102½	87
Chile 5% Govt. Bds	99	83
San Domingo 5% Customs Loan	100	83
Peruvian Corporation 6% Deb	106	87
Fed. Distr. Rio de Janeiro 5% Bds	100	58
Victor Emanuel 3% Ry. Bds	70	50
Bagdad Railroad 4% Bds. guar	83	50

The above list shows that American investors are to-day able to invest in foreign securities on terms as advantageous as those on which European investors bought American securities a generation ago and with probably equal chances of appreciation in the future.

On the other hand, also, very serious losses have been suffered by European capitalists on their investments in this country; among which may be principally pointed out the Confederate bonds, the stock of the Second Bank of the United States, the several loans to the States of Mississippi and Louisiana and a few

other Southern States, not to speak of the large sums lost in railroad enterprises and numerous projects of development. Yet these losses count for very little, if we consider the aggregate figure of the European investments in this country and keep in mind the tremendous appreciation in value of some of them. Moreover, the European capitalist has learned from experience that in most cases, when placing his funds in intrinsically good propositions in young countries, he has in the end come out well, even if he had to go through receiverships, with the unavoidable reorganizations, involving sometimes heavy assessments, etc.

RAILROAD REORGANIZATIONS IN THE UNITED STATES.

OLD SECURITY	SECURITIES RECEIVED	ASSESSMENTS	*HIGH VALUE OF NEW SECURITIES
Union Pacific:	Union Pacific:		
Old stock, \$100.....	New common stock, \$100	\$15	\$219
1st 6's.....\$1000	{ 1st Land Grant 4's \$1000 }	None	1560
Sinking fund 8's. 1000	{ Pref. stock..... 500 }	None	1780
Phil. & Reading:	{ 1st Land Grant 4's \$750 }		
Old stock.....\$100	{ Pref. Stock..... 1000 }		
Gen. 4's..... 1000	Phil. & Reading:		
First Inc. Bds... 1000	New com. stock....\$100	20	187
Second Inc. Bds.. 1000	Gen. 4's..... 1000	None	1030
Northern Pacific:	{ 1st pref. stock.... 300 }	None	1126
Old stock.....\$100	{ 2nd pref. stock.... 1000 }		
Pref. stock..... 100	{ 2nd pref. stock.... 650 }	None	1581
1st mtge. 6's.... 1000	{ Common stock.... 550 }		
2nd mtge. 6's.... 1000	Northern Pacific:		
3rd mtge. 6's.... 1000	New com. stock....\$100	15	300
	{ Common stock.... 50 }	10	205
	{ Pref. stock..... 50 }	None	1431
	Prior lien 4's..... 1350	None	1806
	{ Prior lien 4's..... 1185 }		
	{ Pref. stock..... 500 }		
	{ Gen. lien 4's..... 1185 }		
	{ Pref. stock..... 500 }	1600

*In these figures no account has been taken of the valuable "rights" that have in several instances accrued to the holders of these securities.

In the case of the United States the situation has been particularly favorable by virtue of the natural wealth of the soil, principally as regards agriculture and minerals, further by climatic conditions, good harbors, etc., conducive to most prolific crop-growing. Yet the very fact of the vast natural resources of this country and other qualities which conspired, as it were, to make all things superabundant and comparatively easily obtainable, has been the cause of certain disadvantages and evils. It has enabled the unscrupulous to manipulate otherwise sound propositions on a highly inflated basis, frequently to the harm and detriment of those financially interested.

Extravagance Must Make Way for Thrift

But more serious has been the growing tendency towards extravagance—extravagance in our national, our corporate and our individual life. In the past, the disadvantages of this state of affairs did not come prominently to the front. The general public paid the bill, but instead of the necessities of life costing less in the United States than anywhere else, as should have been the case in view of our unparalleled natural resources, we have heard constant complaints of the high cost of living. Today, however, the future position of the United States among the world's peoples is at stake. We can afford to take a long view of things and give the preference to permanent income and lasting outlets for our manufactured articles over quick profits as heretofore. We are desirous and anxious to obtain for the United States commercial supremacy in world trade. We are desirous to become wholly a creditor nation. It should be fully understood from the very beginning that this requires more than trade commissions, banquets, self-laudatory campaigns, etc. These, in themselves good as an advertising medium, should be followed by disinterested hard work to attain the maximum benefit for the community at large. We have to set about and teach our people the great value of thrift—thrift in their private life; thrift in the conduct of their business and that of their Government. *Thrift is the all-determining factor in the building up of national wealth.* Henceforth we are going to endeavor to compete more strenuously than ever before with the older nations in world trade. In order to do this successfully, we must mobilize all our forces, material and otherwise, our brains, our energies, and all our other resources. Let us begin and inculcate in our younger generations the benefits of saving; let us impress upon their minds the necessity of living within one's income, and let us stamp out for good the mischievous idea that whenever a windfall comes our way, it should be used as a basis for new expenditure of a permanent character. Through thrift our national surplus income will increase very rapidly, and after all, it is only this surplus margin that counts. What means the possession of an enormous national wealth coupled with an enormous annual income, if we live fully up to this income? Such a policy does not benefit the community, nor does it promote the interests of the country. The importance of such a campaign cannot be exaggerated, and I, for one, hope and believe that the common sense of the people of the United States will rise to the occasion, and *subordinate imaginary personal, local, or political in-*

terests and prejudices to what in reality is a national question, and therefore beneficial to all.

Prudent Investments in Foreign Countries Stimulate Trade

In order to derive the greatest benefit from our National wealth we must invest it in such a manner as to obtain, not alone a reasonable return on the money invested, but, following the old maxim that "capital follows the flag" (the commercial flag, at any rate), we should prudently place such of our savings as we do not need for domestic development in those fields where our trade and commerce expect to find the greatest opportunities. Is it not a natural sequence that countries requiring apparatus for agricultural and irrigation purposes; locomotives, rails and trucks for new railroads; cranes, etc. for harbor and dock work; mining machinery, etc., should give the preference to those countries that are willing and able to extend the necessary financial facilities?

We are to-day sufficiently strong to commence giving such facilities, but we lack the organization necessary to place the securities resulting from such foreign investments within our own boundaries. In short, the public of this country are not yet acquainted with the merits of foreign securities as an investment of their own surplus funds. It must be admitted that the present time is an exceedingly difficult one to bring the merits of such investment home to them, as people are naturally swayed by their sympathies in the question of the European war, and, moreover, are apt to become unsettled in their ideas of safety by exaggerated reports of passing events. Yet, in view of the close connection of the people of the United States with those of Europe, and their knowledge of the customs of their fathers and grandfathers, it should not be difficult to teach them and popularize this class of investment. Suppose we were to submit to a farming community in Nebraska a certain tract of land in the Argentine, well watered and within reach of a market and capable of producing a good yield of wheat, linseed or corn, and that this land were obtainable at a very low price; then there can be little doubt but that this farming community, understanding the conditions, would be very much interested and would eventually be ready to invest money therein. Similarly, in the case of a good lumber proposition, people interested in that business would be found to have open ears for anything attractive in that line. The same may be said of cattle-raising and various industries. But all these are investments that essentially interest certain communities alone,

and it would not be a wise policy to open up our career as international bankers with this class of investment, because it would unavoidably throw open the door to all sorts of illicit schemes to which the inexperienced would undoubtedly succumb, and a deserving movement would thereby be brought to an untimely end.

The Merits of Government Securities

But if we combine all these productive data, the land, the forests, the mines and the labor of the people, and on the strength of these proven assets combined, we lend our money to the legal government of such countries, we get a better security than we could possibly get by lending against any one part thereof, because such a security is backed by the entire assets and responsibility of the whole nation, and furthermore because the future development of their country and the reputation of its people will depend upon the manner in which they fulfill such foreign obligations. Those of our bankers that negotiate such loans can use their power and prestige to see that the funds are used in a manner beneficial to the trade of the United States, and if for certain reasons it is thought desirable to exact additional material guarantees, there can be no objection to doing so.

After the war is over there will be a large demand for capital in Europe and elsewhere. Since the outbreak of the war we have opened our purses wide, urged by sentiment and charity, to alleviate such suffering as we were able in the various countries concerned. But a self-respecting nation is too proud to ask for charity, and will appreciate to a far greater extent if we will utilize our unique financial position by lending to it our funds on interest for constructive purposes. This will mean far more than charity to these peoples, and at the same time we shall be instrumental in adding to our domestic prosperity and have a safe investment for our funds.

Bonds of Small Denominations Desirable

In order to make such foreign securities attractive to our investor, they should be obtainable in small denominations, and they should be issued below par and subject to quarterly or semi-annual drawings at or above par so as to stimulate the investment-demand by the reinvestment of drawn bonds.

All Investing Corporations Should be Authorized to Purchase Foreign Securities

All our savings banks, our insurance companies, and other financial institutions, should, if they so wish, be permitted to in-

vest a certain percentage of their resources in foreign bonds of unquestionable worth. There is no reason to assume that those charged with the investment of these funds would act in a less conservative manner if this privilege were granted them. The advantage of such a course becomes evident if we place ourselves in the situation that arises in times of internal stress. Imagine a run on some of our large investing corporations. Securities would be thrown on the market in order to obtain cash funds, and in existing circumstances the whole burden would fall on the New York financial district, and probably the sixty days clause would have to be resorted to. Had these institutions possessed large holdings of foreign securities, these could be sold abroad, thereby relieving the strain on the institution, and instead of placing a burden on the money center of the country, such action would tend to strengthen the financial position there. Even our Postal Savings banks might well give the example in this direction, and it may be assumed that if once the savings banks make investments of this nature, the general public will soon follow suit. At present it seems almost unreasonable to demand from the individual something that the institution is legally restrained from doing.

It is not my object to go into detail as to the various kinds of foreign investments since a greater authority has consented to discuss that subject before this Conference. However, as far as government securities are concerned, the record is a very clean one, with the exception of those of the South and Central American republics. European experience there has been unfortunate as a result of the many upheavals in domestic politics in those countries, and particularly on account of the lack of diversity in the products of some of these lands, making their credit structure very susceptible to good or bad crop influences. Thanks to the pioneer work of European capital and the bringing about of improved communications with the interior these dangers, though not entirely eliminated, have been very much lessened.

The Distribution of Foreign Securities

As regards the distribution of foreign securities, little more need be said about this. Our banks cannot and may not lock up funds in long term commitments of this nature. Their primary duty is to finance the requirements of our importers and exporters and other self-liquidating transactions. But in order to make our national holdings of foreign securities effective the

public generally and the guardians of the public's savings—the savings banks—must be brought to see the necessity and advantages of permitting funds to be used for this purpose.

Government Securities and the Immigrant

We have heard many complaints of the large sums sent abroad by our immigrant population. In part, this is due to the fact that these people arriving in a strange country did not find the same financial apparatus as that to which they were accustomed at home. They knew little of our private institutions, and had heard of big losses suffered through the bankruptcy of private bankers, mostly all of them of their own kin. United States Government bonds were not obtainable in small denominations and sold at prohibitive prices as a result of our former inelastic currency system. Consequently, these people preferred to send home their funds to trusted friends and organizations. Our Postal Savings system has brought considerable improvement in this direction, but there is every reason to suppose that if foreign government securities were obtainable in small denominations they would be purchased by the very class that has up to now been steadily sending its funds abroad.

The Benefits of Foreign Investments

Summing up the benefits of foreign investments we may mention—

1. Their immunity from domestic disturbances.
2. Their broad international market and consequent narrow fluctuations in normal times.
3. The fact that at present, thanks to very exceptional conditions, they are obtainable on exceedingly attractive terms.
4. The benefits bestowed upon our home industries involving the employment of labor in standard industries.
5. The desirability of geographical distribution of investments as a common-sense business proposition.

As regards their safety, this is a point on which it is impossible to generalize, and each security offered must be judged on its own merits, just as in the domestic field, but undoubtedly they will stand the test of reasonable comparison, and therefore do not let us demand more than we have been and would be willing to give under similar conditions. One of the causes of the collapse of the supremacy of Holland's trade in the seventeenth century is well summed up in the old rhyme:

"In matters of commerce the fault of the Dutch,
Is giving too little and asking too much."

Do not let us make the same mistake. We have an opportunity such as no nation has ever had, but trade conquests are not made in a day and, moreover, foreign commerce and foreign business generally are comparatively strange to us. It will require careful study and coöperation to establish our position. Our banks and trust companies are doing all in their power to facilitate and finance business with foreign parts; our manufacturers, merchants and investors should remember that a foreign customer is entitled to the same credit as his domestic equal, and if we insist on demanding our full pound of flesh, as we are able to do to-day, we not only may give just cause for resentment but we run the risk of losing all and more than we have gained. To avoid this, it cannot be urged too strongly on everybody—manufacturers, investing-corporations, insurance companies, etc., to acquire high-minded men acquainted with foreign methods and, above all, the psychology of foreign peoples, so that we may adjust ourselves to such demands as are reasonable and compatible with conservative business.*

THE CHAIRMAN: Gentlemen, I think in the main that we have had two very excellent papers presented to close our afternoon's work, and an opportunity is now open for any remarks that you may desire to make, or any questions you may desire to ask, that cover the grasp of these two papers.

Has anyone anything to present?

MR. PEPPER (of Chicago): We have frequently heard it asserted that after the war is over the important belligerent countries are going to try to regain their old position in the way of financing trade that they had before.

As I understand statistics Argentina alone has been receiving about \$100,000,000 from England every year; from France, every year, about half that amount; and about \$50,000,000 from Germany.

Of the other countries Brazil has been receiving a smaller amount, and the other countries a smaller amount still in proportion, which, altogether, would amount to about a billion dollars.

*Since writing the above, the newspapers have announced the organization of the American International Corporation, which is undoubtedly the first step in a broader sense towards real constructive work in the foreign investment field. The creation of manager-shares would also seem to indicate a turning point in our methods of financing as demonstrating that those interested are not prompted by the desire for quick gain but view the future with sufficient confidence to prefer a permanent income.—J. S.

In view of this present war those countries were placed in a very precarious position, and the question is whether this country could afford to grant temporary relief to them with the present situation in Europe.

We are compelled by conditions to help the European countries, because, if we do not, they would be able to turn over our securities upon us and force us to do it.

The question is whether it would be safe for us, if we can, to help those Latin-American countries and other neutral countries to the extent of giving them, perhaps, a small amount in handy form; and whether we can do it with safety.

As I understand, the Federal Reserve law that went into effect recently enables us to conserve our gold and add to it about \$400,000,000, which, according to the Secretary of the Treasury and those at the time the law went into effect, would enable us to expand our resources, our credit, to the extent of about one billion dollars; and we have been lending money to those countries in view of that Federal Reserve law.

The question is: Can we safely extend \$750,000,000 to those neutral countries and be able to rearrange matters after the war?

As Mr. Warburg, one member of the firm of Kuhn, Loeb & Company, has been and is one of the main heads of the Federal Reserve Bank, and no doubt Mr. Schiff has had occasion to study the matter more thoroughly than I have, I would like to ask him whether he thinks we could safely go to that extent without imperiling our position with European countries.

We have not done very much so far. We have only lent to Latin-American countries, at the utmost, \$50,000,000 to \$75,000,000, whereas they were accustomed to credit from other countries of about \$750,000,000. Can we not temporarily give them that relief? It would only be a matter of temporary relief, because, after the war is over, we would have to meet the French, the English and other competition, and we would have to stand on our own ground.

These other countries in Europe are facing the question of building up their own natural resources as the result of the destruction of property through the war. They, no doubt, could not give that relief. The question is: Could we, right now, temporarily give them that relief?

MR. SCHIFF: I do not know whether I quite follow the gentleman's question. I would like to state, incidentally and parenthetically, that Mr. Warburg is not a partner of Kuhn, Loeb &

Company. I am sorry to say he no longer is, and I have not as much opportunity as I would like to see Mr. Warburg, as he is in Washington and I am in New York. Therefore, I do not get much of an opportunity to discuss these questions with him. If I did I would probably not feel at liberty to repeat what he had said to me without his permission. So I wish it clearly understood that anything I may say is my own personal expression, and not, by indirection even, coming from or having anything to do with any member of the Federal Reserve Board.

I do not know that I quite follow Mr. Pepper's question, as I do not see just what bearing the Federal Reserve Board situation has on the matter.

As I understand the Federal Reserve law, the Federal Reserve banks are authorized to rediscount for member banks acceptances based on import or export transactions. These, in turn, can, when so discounted, form a basis for currency.

There is practically, therefore, no limit prescribed, I might almost say, within reason, of course, to the amount of money which can be provided for transactions based on import or export.

On the other hand, the Federal Reserve Board as I know it, or, rather, the Federal Reserve banks, have no facilities for granting credits.

A transaction based on the import or export of a certain commodity is a totally different proposition from giving credit to a nation. As a matter of fact, none of the credits granted to countries during the last few months—and if I am wrong, I ask to be corrected by those present who have had more to do with that than I have—have been eligible for Federal Reserve discount.

For instance, the Russian credits, the bills drawn here for Russia, which were renewed several times, are not available for Federal Reserve discount.

So that you must differentiate between credit and export and import transactions.

Whether this country could make available for the countries of South America the sum of \$500,000,000 or \$750,000,000 or a billion dollars is, I should say, dependent on the security which South America can offer and the readiness, primarily, of our financial institutions; and, in the second instance, of our investors, to provide it.

MR. FLEMING: I would like to ask Mr. Schiff a question, Mr. Chairman, if I may.

THE CHAIRMAN: Certainly.

MR. FLEMING: You referred, Mr. Schiff, to the possibilities of expansion of credits through the discount of paper under the Federal Reserve law, and you mentioned that that expansion would, possibly, be almost without limit. All of these notes issued by the Federal Government based on those discounts are redeemable in gold at the treasury, are they not? And would not the amount of gold in the treasury necessarily act automatically as a limit upon that extension?

MR. SCHIFF: I do not think it would, necessarily; although, as a matter of fact, the limit is, as I think you gentlemen probably remember, that the national bank member of the Federal Reserve system is only permitted to accept in a certain proportion to its capital and surplus—I believe it is one-half—is that right?

MR. GOODHUE (Vice-president First National Bank, Boston, Mass.): Under the Federal Reserve law a member of the Federal Reserve system can accept drafts drawn upon it to facilitate the exportation or importation of merchandise up to 50 per cent. of its capital and surplus, except that upon special permission of the Federal Reserve Board they may be permitted to accept up to 100 per cent. of their capital and surplus.

MR. SCHIFF: That is limited by the law in that way. So that, assuming that our national banks had gone to the prescribed proportion of their capital and surplus, and had used the privilege granted under the Federal Reserve law to its full possibilities, that would be the limit.

I do not think the limit of gold in the treasury, or gold in the Federal Reserve banks is as real as it is apparent, perhaps, for the reason that experience has shown that as long as the Government is good, people do not present the bank notes or the currency of the government for redemption.

In European countries, outside of England, that before the war had Bank of England notes fully covered by gold—take France or Germany, where they had only a certain percentage of gold to the account of those outstanding notes, there never arose an occasion when the gold reserve was in danger.

Of course it is theoretically true that if you collected, or could collect, all the outstanding notes of the Bank of France they would be on a silver basis, because they have the right to. If you collected all the outstanding notes of the Reichsbank, they could not pay in gold, even before the war; but that is inherent in their currency system, based on the commercial—

MR. FLEMING: But if you were a member of the Federal Reserve bank—

MR. SCHIFF: But I am not.

MR. FLEMING (continuing) and came to this question of expansion, and had discretion as to whether you would expand or not, you would have an eye on the gold reserve, would you not?

MR. SCHIFF: I would not venture an opinion as to what I would do if I were a member of the Federal Reserve Board.

MR. IVERSON: Mr. Chairman, I would like to say a word in answer to the gentleman from Chicago.

THE CHAIRMAN: Certainly.

MR. IVERSON: Answering the gentleman from Chicago as to how this country would stand—notwithstanding the argument of our friend from Kuhn, Loeb & Company and my distinguished friend over here—I want to say that what has preserved this country during this present condition are two things: The American Government has two great friends that will enable it at this time to carry out and further any obligation it may make. Those two friends have been created by the Infinite. They are the Atlantic and the Pacific Oceans; and the obligations this country may assume can be carried out with the assistance of these two God-given friends.

The insults hurled at this country during the past year are similar to those that caused the war of 1812; but with the assistance of the two great bodies of water, and the present governing political strategy, the American Government will be able to meet any problem or obligation which may be presented.

I do not think our good friend from Chicago, under these conditions, need have any fear for this country. With the great influx of money that is coming to us at present, we shall be able to meet any conditions which may be presented.

THE CHAIRMAN: Are there any further remarks? If not, I have an announcement to make, and that is: Will the members of the Committee on Recommendations meet, in the room assigned to them, at the close of this Conference? That is asked for by Captain White, the chairman of the committee.

Gentlemen, it is getting late; we have practically concluded the business of the day, and it is now up to you to get ready for the business of the evening.

(Whereupon, at 5:20 P.M., a recess was taken until Wednesday, December 8, at 9:45 A.M.)

THE BANQUET

Tuesday Evening, December 7, 1915

PRESIDENT GEORGE POPE: To the ladies, our distinguished guests, to our delegates from abroad as well as from home, and to the gentlemen of the Association, the National Association of Manufacturers bids you again a hearty welcome to this playground of this Conference. It is certainly to us a remarkable gathering of men of affairs. The Association appreciates in a great degree the visits to this Conference of the delegates from lands across the sea; and appreciates that if it were not of importance they would not certainly have traveled thousands of miles, which they have, to attend it. And in the past two days we of this republic have highly appreciated the valuable papers which have been read and the information which has been given to us of the commerce in other countries, and we hope that those gentlemen will also appreciate, and will get benefit and information from, that which has been read and spoken to them from our own people here. Certainly it brings about, or should bring about, a new era in commerce, a gathering like this of men engaged in transportation, in banking and in commerce for so many days exchanging information and views on these important matters, and it must, I believe, in the end bring great benefit and give impetus to commerce between the countries represented. And I beg you to believe, gentlemen, that the National Association of Manufacturers has not taken this initiative merely for itself, and while naturally it expects that its members may derive and will derive benefit from it its one aim is to give service, service not only to its members but to all in the community and in the communities abroad.

I wish to read to you a telegram received just before we came into the dining room, addressed to the Chairman of the Committee of Arrangements of the Conference:

I regret exceedingly, owing to a committee meeting this afternoon which has not adjourned in time, I will not be able to attend your banquet tonight, but I wish to express, on behalf of the Pan-American Union at this hour when Panama Canal is so much at the front, and has been especially emphasized by the President in his message today, our intense satisfaction that an organization like yours is giving due attention to the mighty field of Latin America. May I also take advantage of this opportunity to congratulate you on having as your speakers tonight two such distinguished and worthy representatives of the Pan-American Union as the Ambassador of Brazil and the Minister of Peru.

(Signed) JOHN BARRETT, Director General Pan-American Union.
(Applause.)

Gentlemen, I am now going to pass all my burdens over to the toastmaster of the evening. It is a comparatively modern invention and one which I always like to take advantage of.

I have the honor to introduce to you, as toastmaster of the evening, Mr. James A. Emery, of Washington, Counsel for the National Association of Manufacturers. Gentlemen, Mr. Emery. (Applause.)

THE TOASTMASTER: Mr. President, Ladies and Gentlemen: I assume that in a gathering like this there might be great wonder that a lawyer is asked to assume the responsibilities of an occasion of this character. I presume it will not be the first time that a manufacturer has found refuge in his counsel, nor will it be the first time that counsel has found refuge among manufacturers. But the courage of lawyers has never been questioned. They are known to be able to face any charge with unflinching determination.

And it seems to me that, in the midst of the industrial day in which we live, the lawyer has been quite as essential to the manufacturer, to the merchant, and to the banker, as even that most ancient institution, the bookkeeper. For surely without his aid you would not have wandered free and careless of demeanor as you sit here tonight in the maze of interrogation points, in the forest of uncertainties to which your commercial feet have found their way, in the midst of business legislation that has been sometimes uncertain and ambiguous all the way from the courts of original error to those of ultimate conjecture. (Applause and laughter.) But, perhaps, sirs, a lawyer may be excused for taking asylum among you. If I were to explain the sanctuary which I seek, I should probably find some precedent for it in the tale of one of my old professors, who told me of an Irishman on his deathbed; who, having received the sacrament and made his peace, leaned over to his confessor and said: "Father, I have one last request to make." "And what is it, Patrick?" "Sure," he says, "when I die, Father, will you be good enough to bury me in a colored cemetery?" "And, Patrick, why should that be, sir? Why should you go there?" "Sure, Father," he says, "that is the last place they would look for an Irishman." (Laughter.)

So, possibly, among the men of trade is the last place they expect to find a lawyer.

I was carefully informed by kindly friends that the chief purpose of a toastmaster is to introduce others and keep silent

himself, and I was informed as I came that Mr. Sidney Smith, who was termed the best toastmaster of his time, always said there were but two things for men who occupied the irresponsible position thrust upon me this evening to do on an occasion like this; one was to present himself with a pun, the other to excuse himself with a story. I feel that to the after-dinner audience of New York one dares not tell stories. They have heard so many which have been brought from other cities where they were new (laughter) that a New York audience meets with considerable criticism the importations that have been enjoyed elsewhere. In fact, one feels that you might have that fellow-feeling of sympathy, perhaps of condescension, that I remember was once expressed by a man whom I regarded as one of the most interesting, as, had he lived, he would have been one of the most noted, of the public men of this country, Francis Cushman, of Washington, whose untimely death deprived the Congress of the United States of one of its shrewdest minds. He came a stranger to it, a tall, gangling figure, so homely that he said of himself one thing at least had never been remarked of him: "he was not two-faced, because men knew if he had another he would have used it." (Laughter.) At that time a distinguished son of Minnesota, Adam Bede, was a wit and humorist of the house, and Cushman on his maiden appearance attracted very considerable attention by an exceedingly clever speech upon the tariff; and when he was to appear the second time the distinguished son of Minnesota, no doubt anticipating the waning of his own star, having attracted the Speaker's eye, delivered himself of one of his characteristic speeches, full of humor, full of things that cultivate the mind and stick in the memory, and when he had concluded the tall, lean son of Washington unwound his angular frame from its seat, and, lifting up his head that moved like an cornstalk in the wind, he said:

"Mr. Speaker, I have listened not only with great interest to the exceedingly informing remarks of the gentleman from Minnesota, I have been entertained as you have, I have been instructed, nay more than that I have sympathized with him, because when I heard his stories and listened to his humor I realized that his father and mine had subscribed for the same almanac." (Laughter.)

You come, sirs, from many places, attracted by the common interest of this hour in a question that has gained very practical value to Americans. Within a year our foreign trade, in

which, before the outbreak of this war we had little hope to participate with so favorable a circumstance as is now present, has grown amazingly.

If some man could rise among you tonight he could tell a story that would be as romantic, as high in its literary color, as wonderful in the pageant that it could unfold in your mind as any that history affords—if he possessed the pen of the poet, the tongue of the master of words, and with lips touched by the altar coal of prophecy, with the historic knowledge of the past, he could sketch for you in brief outline the wonderful and romantic story of the movement of the world's trade. Its first beginnings in the dawn of human history along the Red Sea, the movement that finally followed the development of civilization along the shores of the Mediterranean, there as everywhere the final most powerful and continuously impelling force that in every age and every hour and among every people has continually forced human intercourse, is that which carried the traders of one nation into contact with men of every other nation, until those early settlements in which civilization found its first life along the Red Sea and the Aegean, touched the very shores of the exterior Atlantic; and then the Carthaginian was commercial master of the hour, and when he fell before the prowess of the Romans, trade found its lodgement again on the farther shore of the great inland sea, but never touching the broad sweep of the ocean beyond it, until, in the great inroad of the barbarians that swept down over middle Europe all the civilizations, the institutions, the arts, the literature, the trade and commerce of that hour fell trampled and destroyed beneath the hoof of the barbarian war horse. Then a little smoldering remnant of trade burst again into life in that magnificent city of the Adriatic that became the center of the commercial life of its era, and carried with the trade of Venice, its notions of civilization, of art, of literature, of manufacture into the then most distant trade centers of Europe, and accompanied that wonderful commerce of those Italian cities, Florence and Naples, which carried their trade into the very interior of England two hundred years before English people realized the possibilities of their own commercial development.

And always there went with trade its hand-maidens of refinement, of art, of culture. Among the politer people, an exchange of information, of manners, of all the cultivated science and art of their day, until, with the discovery of the navigator's

compass man dared the greater ocean and the whole field of world trade and colonization opened.

And yet there seem to have been two or three things which underlaid it all, that were essential to the commercial success of every people of that time, and that must be essential to the commercial success of our hour. Something in which to carry commerce, for no nation can ever hope to hold a place among commercial people of the world if it does not own the delivery wagons in which it sends goods. (Applause.) No nation can hope to earn and win its way that is not free in the development of its commerce and of its labor. In the whole story of the world's life what nation in one hundred years has demonstrated so completely the powerful effects of moral principle as this country of ours in which opportunity and the preservation of individual liberty have secured not only a safe mixture of all the world's blood, but the highest assurance of reward for character, for ability, for talent, and has made certain, too, the preservation of that which it secured by the exercise of its talent, and which not alone brought reward to him who possessed it, but in its very exercise brought, too, reward to the very social structure of which he was a part.

But, sirs, though we have ships to carry our goods, though we free ourselves in our rational political moments of those restrictive and unintelligent economic theories that are a burden upon our trade, upon our manufacturers and upon the development of our commerce, what shall we ever do in a foreign country if our capital be enticed to go there, if our commerce take root, if our trade thrive, if the American who goes into a foreign land, wherever it be, is not sure that he carries with him the protection of his flag and the certainty that wherever he is—there is at home a watchful nation whose ward he is? (Applause.) So, sirs, it seems that successful development of commerce, whatever other characteristics it may have, requires carriage for that which we produce, freedom in the exercise of all our talents and organization of production, and security for the American and for his capital wherever he places it, while he claims for himself the title of American citizen. (Applause.)

Now, sirs, we fortunately have with us at this festal board tonight those who peculiarly represent in their persons the interests of neighbor nations in the great subject with which we have been dealing. The port of New York possesses an especial ad-

vantage in dealing with the country of the distinguished speaker whom I now have the pleasure to present to you, because it seems that as early as 1648 Governor Peter Stuyvesant conferred upon the then numerous inhabitants of this burgh the privilege of trading with Brazil.

I have very great pleasure in presenting to you the ambassador extraordinary and plenipotentiary of Brazil, His Excellency Domicio da Gama. (Applause.)

[His Excellency, the Ambassador of Brazil, made a brief but very happy speech, but as it was an informal address the stenographer's report thereof is omitted at His Excellency's request.—Secretary.]

THE TOASTMASTER: Your Excellency, I am sure that all who have had the good fortune to hear your good wishes and expression of sympathy carry away with them a very happy memory, and are only hoping that the lessons and suggestions of this hour will be received by us in time to profit by them, and that our experience will not be that of the colored gentleman I heard Justice Sanborn tell of, who, having been convicted of homicide, was asked if he had anything to say before the Court pronounced the sentence. He said. "Well, your Honor, I only got this to say, this hanging is certainly going to be a lesson to me."

In 1906 the United States had the good fortune to send as an ambassador to all of South America the most distinguished of living American statesmen, the great ex-Senator from this State, Elihu Root (applause), who spoke to the people of our fellow republics, for whom we have a peculiar sympathy, a word for this nation that I am sure expresses the sentiment of us all here:

"That we seek no victories but those of peace, no territory but our own, no sovereignty save sovereignty over ourselves, that we desire to expand in wealth, in wisdom, in spirit, to increase our trade and to get prosperous, but we do not believe that we shall reach that prosperity by profiting by the ruin or injury of others; but that by concerted action we shall all grow great and prosperous together on this hemisphere."

We have the good fortune to have as our guest this evening another distinguished representative of our South American neighbors, a scholar whom American universities have delighted to honor, His Excellency, the envoy extraordinary and minister plenipotentiary of Peru; and I have the pleasure and honor to

present to you Señor Federico Alfonso Pezet, who will speak to you on the brotherly interest of North and South America. (Applause.)

Speech of the Minister of Peru

THE MINISTER OF PERU: Mr. Toastmaster, Mr. Ambassador, Ladies, Gentlemen: It is a very great honor to be on this occasion the guest of the International Trade Conference and to be allowed the privilege of raising my voice as a representative of one of the Latin-American countries and speak before such a distinguished gathering of men who are doing things for their respective countries and for the world at large.

When the distinguished gentleman, our toastmaster of this evening, introduced me to you he reminded me of a few days ago when I had the honor of addressing a commercial gathering in one of the cities of this nation where the toastmaster got his tongue a little bit twisted, and in mentioning me as "the envoy extraordinary and minister penitentiary of Peru," he very nearly landed me in the penitentiary. (Laughter.) I am pleased to see that New York does know things better and that he got around that nasty word very well.

His Excellency, the Ambassador from Brazil, told you a few minutes ago that he was not prepared. I am different. I believe in preparedness. (Applause.) I am absolutely for preparedness, take it as you like it, but I am for it; and I am also for safety first (laughter), and, gentlemen, when a diplomat is among gentlemen of different nationalities I do not believe it is right for him to let his tongue get away from him and his heart get away from his head. So, believing in preparedness and in safety first, I will read to you the message that I have prepared for this occasion.

This message came to me through something that I saw in York, Pennsylvania, where I had the good fortune to be a few days ago, and in one of the envelopes of their very progressive chamber of commerce they had this:

"Creeping into the lives of men everywhere is the thought that coöperation is better than competition. We need each other." (Applause.)

A More Thorough Understanding of the American Nations as a Means of Getting Closer Together

The members of the Association and all delegates attending the International Trade Conference, representatives of commer-

cial, industrial, banking and transportation interests of this and of other countries, are well versed in all matters pertaining to the ends of the present Conference. Already several important discussions have taken place at the sessions held, and before the proceedings are brought to a close there will be many more such discussions, so, consequently, I have nothing to add to the general subject that could in any way assist the gentlemen present to acquire a better knowledge or a more comprehensive view of the questions that must of necessity come before them in furthering the interests of a coöperative movement in international trade promotion.

But, in my capacity as the diplomatic representative of a foreign nation, I believe that there is something which I may be allowed to say without being forgetful of the precise prime essentials to successful diplomacy, *silence* and *discretion* (I hardly know which of the two should have the precedence, because at times, silence can be so very indiscreet!). Anyhow, I firmly believe that on such an occasion as this, and at such a time as the present, a diplomatic agent may be permitted to have a heart to heart talk with men who are straining every nerve and racking their brains to further the ends of international trade.

It is this belief that has prompted me to select as a fitting theme for my address on this occasion the question of "A more thorough understanding of the American nations as a means for getting closer together," because, while you gentlemen have to do with cause and effect, while you have to consider the hard, cruel, unsentimental, matter-of-fact aspects of each individual case that comes before you, while you have to go into a labyrinth of detail work, to work out your problems and have to look at the proposition from every possible angle in order to obtain the desired result, it is in the nature of the work of a diplomatic agent to search deeper down, to go to the very foundation of things, because it is part of his duty to study the question of international relations, and no study of such relations can be complete, can be thorough, without a perfect, prior knowledge of the fundamentals upon which the whole structure of international intercourse is built.

It has been my personal experience in foreign nations, an experience which now extends over a period of more than thirty years, and which has had to do with citizens of many countries and peoples of diverse races, that one of the most valuable assets of successful work has been getting along with the other fellow.

the being able to place oneself in the other's position and to look at the issues under consideration from his viewpoint as well as from one's own. This I call the art of understanding, and I tell you, gentlemen, it is an art that should be more widely cultivated. I consider it as the basis for international amity.

In the relations of nations with one another it is essential that a certain amount of give and take should be indulged in on either side. This is so much more necessary to-day, when it is an acknowledged fact that no nation at the present time can afford to look down on another because it may happen to be territorially smaller, or commercially less important, or financially less well off, or, even, less materially powerful, from a military or naval standpoint. Whatever may have been the case in the past, there are visible proofs at present that this is not going to happen any more. Nations have reached the stage where they are alive to the exact knowledge of their own importance; they are cognizant of their rights; they realize what they owe to other nations and what is owed them by all the other nations. And consequently the largest, as well as the smallest, is prepared to assert its rights, should these be ignored, and, moreover, it is ready to defend them against any aggression, or even from any encroachment, or from an attempt to curtail or to limit them in any way, manner or form.

In this way every individual nation as a sovereign unit is to be considered as an entity that has within itself the means whereby to attain the highest form of development, and therefore of becoming a real factor in the shaping of world policies. This entirely irrespective of its present-day importance and of its relative power.

We have but to remember how within one or two generations some nations have become "World Powers," to recognize the value of this assertion. And as history repeats itself, what has gone before may well occur again to-morrow.

When nations are willing to treat others as equals, and I firmly believe that such is generally the case at the present time, it can be said that we have entered on the high road of international amity, and that we are fast leaving behind the prejudices that for so long have prevented peoples from becoming acquainted and from understanding one another.

But for international amity to be permanent it is necessary that there should be certain interests in common. The same as happens in the case of individuals. We are naturally attracted by

those who have something in common with us; we more readily associate with those who feel and think and act the same, or in a similar manner to ourselves. Nations have many ways of creating those interests in common that are conducive to good harmony. It is the first duty of governments to bring about the conditions that will create harmony.

If we of the Americas wish to build up a perfectly harmonious whole, and to establish amongst our peoples a perfect and thorough understanding, we should begin by casting off all prejudices that in any way may handicap, as it were, our desires. Next we should cultivate an American policy—that is a policy that would be common to all the nations of the western hemisphere. Such a policy would of necessity have to be one that would be acceptable to all. Consequently, it would have to be based on mutual confidence, equal rights and respect for each other's sovereignty.

This desire to get closer together in the Americas has been coming on gradually. In its development many things have occurred, sometimes to accelerate the movement, and at other times to retard it; but there is no doubt that since the moment James G. Blaine took up the Pan-American idea and gave it a practical purpose the great work has steadily been progressing, although as I said before, at times, through some incident, it has been temporarily thrown back, but even in such cases—and these have been few, happily—the onward movement, when again taken up, has become more manifest than it had been until then.

Just after the beginning of this most awful European war there was a wild cry throughout this country for better and closer relations with the Latin-American countries.

The immediate practical form that the new movement took was in the nature of holding trade and financial conferences and of contributing articles to the newspapers, magazines and reviews on the subject of "How to capture the trade of South America."

From the headlines that accompanied many of these publications it might have seemed to anyone not conversant with American journalism that it was a question of some new sport—such, for instance, as the lassoing of the South American countries, roping them in, as it were, and turning them into the dumping ground for all the many wares that the United States could not sell at the time in Europe by reason of the war.

At the first hour the manufacturers and the traders could devise no other plan for the disposal of their goods, that could not

be taken by the warring nations, than by dumping them on "our Sister Republics to the South who cannot now buy from Europe." I do not doubt that to many a person this happy idea must have come as a most praiseworthy method of helping one's neighbors, quite in the nature of philanthropic work. This attitude was the result of only viewing a question from one angle, of solely taking into consideration one set of interests, one's own—and completely ignoring the other party to the bargain.

I can remember that when this was happening, in the months of August, September and October of last year, I went about, and together with many others, told our friends in the United States that the proper way to obtain an increase of trade with South America was by establishing the same time-honored policy of Give and Take, by doing by South America the same as the European nations had done by our countries, viz: proper financing, with the ultimate view of creating national development, which would in turn bring about prosperity with its natural accompaniment of an increase in the purchasing power of each community so assisted.

I placed emphasis on the importance of better transportation and on the necessity of adequate banking facilities, and again called attention to what Great Britain, Germany, France and Italy had accomplished in our countries by giving attention to such matters.

For quite a time I preached a regular sermon, on "*learning to understand one another.*" And so as to give to my views a practical turn, I spoke of the advisability of bringing the Peruvian line of steamers to New Orleans and to other Gulf ports, and establishing a direct line that would take care of the whole of the trade of the great Mississippi Valley with the West Coast of South America, through the Panama Canal.

What has come of all this talk? There were conferences and meetings held in many of the cities of the West and South, as well as in the East. The Peruvian line of steamers did its utmost to establish, via the Canal, direct sailing with ports of this country. I was authorized at the time to state that if we could be guaranteed a given quantity of return cargo, say 2,000 tons, and a freight not lower than 35 shillings, we would bring our vessels to New Orleans. I was informed that it would not be possible to give such a guarantee; but that we would, however, be given every facility to obtain the cargoes that might be forthcoming.

We did not come to New Orleans, but in May we decided to bring our ships to Baltimore, and see if it could not be possible to establish a permanent service between the United States and Peru.

Our boats came in due time with overflow cargoes of South American produce, but we had to return laden with coke, as there was not any other available cargo. Gentlemen, the experiment proved a one-sided affair; it could not be profitable under the circumstances to the company, and had to be abandoned.

What, then, is the matter? I ask. Why is it that our efforts have met with so small success? Why, practically without any assistance from you? Yet you have been saying and repeating in every tone that you want to increase your trade with South America, that you must increase it.

If you will allow me, I shall endeavor to answer my own questions.

The matter is that you yourselves, notwithstanding your tremendous development and the fact of your wondrous resources, are not yet half awakened to the new position that has been thrust upon you by circumstances over which you have had no control: the world war now raging.

Of course, today you have become, as it were, acclimated to your new surroundings, but a year ago you were still groping in the darkness, unconscious of your own potentiality, and in many respects you are still so today.

You are slow to take a new position, you have not yet developed sufficient self-confidence. As a people you are ultra-conservative in commercial and financial affairs, and consequently you follow established lines.

Although your South and your Middle West feel that they should like to become independent of the East, and open for themselves the trade channels that they consider as the most logical, from a geographical standpoint, they dare not do it to the extent that they should in order to make the experiment a success. Consequently, New York reigns supreme and remains the arbiter of the nation.

The railroad lines that come into New York are the great national arteries that give life to the whole body of the nation, and so it happens that when a change is contemplated and there is a desire or an attempt to divert trade into other channels the mechanism does not work, and the result reads FAILURE.

Therefore, to make a success of any such venture it would be necessary to go into the matter with perfect thoroughness. And it is this that is left out of the reckoning at each new experiment.

This brings me back to my point of departure—to the main topic of this address—a more thorough understanding of the American nations as a means for getting closer together.

There must be reciprocity in trade. In the case of the Peruvian experiment just referred to this was absent. We thought that a trade might be built up, and that once our boats came here it would readily develop. We soon discovered our mistake, and as there was no incentive whatever shown from this side, we gave up, and returned our boats to their home run—up and down the South Pacific, between Peru and Panama, with regular trips to Chilean and Ecuadorean ports. Apparently you were not sufficiently interested in us to put your best foot forward in an endeavor to make the experiment a success.

Trade has to be built up. Trade calls for confidence, respect, and above all for reciprocal interests. If we have to sell something that the other country needs, it is easy to establish trade. But even in this case it is essential to the ultimate transaction that there should exist in one community a knowledge of the existence of the article for sale and of the demand for it in the other.

The early traders along the shores of the Mediterranean carried on their business on the basis of reciprocity, which was established through a knowledge of the needs of each other, and on an understanding between them as to the best way to increase and improve their trade relations.

In every instance, from earliest time, understanding of different peoples and of diverse races has been indispensable to proper trading. How, then, could you think for a single moment that there was nothing else needed in order to capture the so-called Latin-American trade at the time that the European war broke out than to get ships by the score, load them up with every conceivable class of merchandise and sail them toward our ports?

Why, even in your transactions with the red Indians in the early pioneer days you employed other methods. No, my friends, you must confess that you were about making as great a mistake as had ever been made by any people, at any time.

Fortunately, that from the great mass of information which was gathered at the several conferences, meetings, banquets and discussions that followed immediately the agitation created by

the war, the need of getting closer together in America became so very manifest that it gave birth to the desire of becoming better acquainted among ourselves.

Our preliminary little conference at the New Willard Hotel, in Washington, D. C., in September of 1914, under the auspices of the Secretary of Commerce, and opened by the Secretary of State, was the initial step toward a movement that has been pregnant with good results. The real awakening to the possibilities of Latin-American trade happened there and then. That little and very modest conference was the parent of the Pan-American Financial Conference of May last.

The principal topics of interest, such as banking facilities, transportation, extension of credits, came before that Conference and were thoroughly discussed. From such discussions came a thorough knowledge of the needs of each of the American nations, and the result has been an increased interest in Latin-American affairs in this country, with a corresponding increase in our countries of interest for everything pertaining to the United States.

The Conference brought into close contact many men from all over the American continent; it created a bond between men engaged in similar pursuits; it established an understanding of conditions as they are here and as they are in Latin-America, and it helped very materially to do away with the many prejudices that were due—on either side—to a lack of sufficient intercourse.

The National City Bank, due to the very far-seeing policy of Mr. Vanderlip, caught on at once to the importance of closer relations with Latin-America, and took advantage of the facilities that the new banking laws gave to establish branches in several of the cities of South America. And to show to what extent it is interested in our countries it actually publishes a monthly magazine devoted to the promotion of American intercourse.

Throughout the length and breadth of the United States the desire to become better acquainted, to understand each other, is manifest in many ways.

I am pleased to see this. I am pleased to note the increased interest for everything Latin-American. It proves that we are getting to know one another, that we are gradually framing an American policy, based on mutual confidence, trust and perfect understanding.

I have been told that there are 2,300 schools and colleges throughout the country in which the Spanish language is being taught, that in many of these establishments it is the one foreign language that is now compulsory. I have also learned that in 1,100 schools and colleges the history of the Latin-American countries is being taught, and that there are many hundreds of women's societies that have taken up the study of Latin-American literature and history.

Throughout Latin America the study of English has now become general, and I believe that in a few more years English and Spanish will be spoken equally fluently by all educated Latin-Americans.

To my mind this question of educating our future generations in a knowledge of each other is most important. And I consider it of the greatest value from an economic point of view. I go so far as to consider it the principal item in the program for the promotion of an American policy.

We who are already grown-ups are wont to meet on occasions such as this, or at other gatherings, and there listen to the talks of persons who tell us a great many interesting things about our respective countries, how to increase their trade, how to promote their welfare, etc., etc., etc. We feel interested for the time being, we inwardly thank the speaker, when he is not too lengthy and tedious, for the amount of information his talk has brought us, or for having refreshed our memories in matters long since forgotten, but on leaving the hall, conference-room or the banquet table, as the case may be, we go back to the duties of our everyday life, our thoughts revert to the matters that of necessity fill our lives, and in a short time, of the talk or of the address that we had patiently listened to, very little remains in our crowded minds.

The fact is that we grown-ups have our work already cut out, we are living our lives, and very few of us are in a condition to allow a new impression to take hold of us and make it influence our future. At most we can create an interest for new things, if they are of a practical nature, and can be made to read "BUSINESS," more especially "PROFITS."

So, for all practical purposes, in the great work of getting closer together, of really understanding one another so as to promote a true and lasting American policy, it is essential to educate

the young peoples of the Americas in a thorough knowledge of one another.

This question has an importance to you men of business, because it is through this acquired knowledge that our peoples will be better fitted to trade with each other. It will help to create those interests in common that are necessary for the establishment of lasting and permanent international amity.

Latin America needs your manufacturers, needs your capital to develop its natural resources, and you need the friendship and the esteem of our peoples. We can become your greatest customers, we may become your fastest friends.

Personally, I wish both to happen. I do everything in my power that is consistent with my position to hasten the accomplishment of both ends. And I should like to see your great leaders of finance, of commerce, of thought, giving to this subject of education their support.

I should like to see a Chair of American History, Civilization and Government established in the University of San Marcos of Lima, Peru. This is the most venerable of all the Universities of South America, having been founded one hundred years before John Harvard established the first North American university at Cambridge, Massachusetts. I think that the oldest South American university is a fit and proper place for the establishment of the first North American Chair. I think that such a Chair would be of great help in the work of creating an understanding of your people, that it would be a bond to draw us closer together. I consider it is necessary that the coming generations of Latin Americans should learn to know you as you are; and I think it is your duty, as far-seeing and progressive business men, to interest yourselves in this question, and to give it your endorsement.

A few weeks ago I was honored by Cornell University with an invitation to address the student body, and a few days ago I received an equal honor from Princeton University. During my brief stay at those great seats of learning I was impressed with the munificence of the generosity, in many instances anonymous generosity, of your people, I marvelled to see how you had endowed these colleges, how through these generous donors they had been enabled to expand their great usefulness. And I could not refrain from wishing that in my country someone would some day build up a college on the American plan, with American teachers, so that my fellow-citizens of the future would learn to

know this country and would be in a position to take advantage of the great possibilities that come to boys and to girls from a thorough American training.

And when I went over that magnificent home that Mrs. Russell Sage's generosity has presented to the women students at Cornell, I felt that if only some woman would establish in Peru, even in a modest way, an American school for women the work of getting closer together would be served incommensurably. Women being the foundation of the home, they constitute the great force of the nation, inasmuch as it is they who give unto men their first inspirations and knowledge.

A great nation has great women, and in passing, I wish to pay my respectful homage of sincere admiration for the women of the United States, who have done so much toward the making of this nation really great.

From the foregoing I would not wish you to believe that in Peru or in other Latin-American countries we have done nothing for the education of women. We certainly have, although not so much as you have and certainly not so well.

In my opinion the education of women has attained here its highest point, and her practical efficiency in co-work with man for the good of the community at large has reached a stage where its great benefits are felt throughout the nation in every branch of human activity.

This terrible world war from which America is keeping fortunately away has been the means of bringing into closer proximity the nations of the Americas. Through the conditions obtaining in Europe we have been brought closer together. New interests have sprung up and made us realize the great opportunities that are ours.

A sentiment of increased friendliness among the American nations has been the first outcome of this awful calamity. Let us strive to make this friendliness permanent—not by words, but by deeds. You as the greater power, by justice toward us, and by a generous exercise of your many sterling qualities in your dealings with us while at the same time in a practical way doing all those things that are conducive to material prosperity, by giving us the necessary financial assistance, increasing trade on terms of reciprocal benefits and by aiding in the development of our nations' economical, moral and physical forces. And we by standing by you in every emergency, by throwing down the bars

of prejudice and welcoming you as our helpmate in the work of our greater national development.

President Wilson has shown us the road to an American solidarity through a frank policy of coöperation in all matters of continental interest. His actions have paved the way for the better understanding between the two great families that people the Western Hemisphere. He has brought Henry Clay's and James G. Blaine's Panamericanism a step further and made it a practical American policy.

It now rests with you, gentlemen of finance and industry, of learning and of thought, from all parts of the nation intensely interested in the Latin-American countries to put to practical purposes the achievements of diplomacy, the triumphs of politics and the results of scientific study, and thereby establish on a firm and permanent basis the amity of the American nations *inter se*.

THE TOASTMASTER: Your Excellency needs no words of mine to assure you of our appreciation of your information and your valuable paper. However, I think his Excellency will realize that we are making long steps toward a moral improvement of our international manners when we have reached a point in our political career in which we defend new policies by appeals to the Old Testament, and when no man in public life today feels himself fully equipped for his political debates without the Bible.

Our industry has been in the brief space of a year marvelously quickened by the misfortunes of our neighbors, but, sirs, we realize that there is no permanent prosperity founded upon the misfortunes of others. (Applause.) And that in the midst of war our business is to prepare for the permanent demands of peace. We have to thank God that the raw material of war is not leaving our great cities to the tune of martial music, and its finished product does not lie on our fair soil with glassy eyes toward the cold stars. We realize that the great trade problems which face us are those we must meet with the crippled powers of the world, desperate with commercial loss, turning again to recuperate their fallen fortunes, and they require our careful and sympathetic and intelligent study. Certainly if this war has taught a lesson, if we are willing to learn by the moral of an experience not our own, it is that the essence of national power is efficiency—industrial organization. No event in our history has given us so great an opportunity for foreign trade as the cir-

cumstances of the great international struggle of which we are witnesses; but if we are to trade with other peoples we must drop something of the provincialism that has characterized, in some respects, American trade and industry and banking, and follow the leadership of those men of big imagination and broad outlook who have noticed that trade follows credit, and learning from the wisdom of the Latin author that where a man's money goes there always go his mind and interest.

One of the foremost constructive organizations in American business has been that great bank in the city of New York which has been searching out the problems of foreign markets, and has boldly entered into South America to establish its branches, and to make the beginnings of a great association for the investment of capital and trade. We are most fortunate to have a distinguished representative of it with us tonight who can talk to you about industrial organization and the financial problems of our foreign trade.

I have the pleasure of presenting the Vice-President of the National City Bank, Mr. Kies. (Applause.)

Speech of Mr. William S. Kies

MR. KIES: Mr. Toastmaster, Ladies and Gentlemen: I was very glad indeed, to hear the minister from Peru speak about preparedness, and particularly was I glad to hear him say something about the necessity of a superior hand, something to guide himself by, because very frequently he misspoke himself. I wondered then whether he had in mind the toastmaster. If you will remember at the beginning of the toastmaster's address he referred to the lawyer as having courage to charge any foe. The toastmaster meant to say the lawyer who had the nerve to charge any fee. (Laughter.) And, in order that I might not make such a mistake, I am going to follow the illustrious example.

International Competition and the Necessity for Organization

What a study in contrasts is furnished by the changed financial and economic conditions in this country today as compared with a year ago. December last year found the stock exchanges of the country closed to prevent hysterical liquidation and a precipitate decline in security values which would have swept the country headlong into a financial crisis. The mechanism of international exchange was out of gear, and sterling during the summer had reached the previously unheard of rate of seven dollars

for cable transfers. Europe had demanded payment of our loans, and in order to preserve our financial honor the banks of this country, splendidly coöperating, had formed the one hundred million dollar gold pool. The price of cotton had declined to 7 2-3 cents a pound. Our trade balance for the previous year had been unsatisfactory, and business conditions for a number of years bad. Railroad earnings had fallen off, bank clearings decreased, the steel industry was producing at less than half of its capacity; manufacturing plants everywhere were either closed or running short time; unemployment was general, and the coming winter was awaited with dread. Panic was in the air, and men's faces showed the strain of the struggle with problems then seemingly incapable of definite solution, and reflected the fear and dread of impending catastrophe.

December, 1915, and what a kaleidoscopic change! The stock exchanges of the country have been for several months reporting a volume of successive daily transactions equal to any period of our history. Prices have reached the highest point in years. The steel industry is producing at capacity, with unfilled orders accumulating at a remarkable rate. Manufacturing establishments in all lines are busy, and there seems to be work for everyone who is willing to work. The farmers of the country received record prices for their last huge crop, and government reports show another record crop just harvested, with prices again at a high level. Bank deposits are reaching unheard of figures, and, what is unusual with such a condition, bank clearings are likewise near top figures, indicating a most satisfactory volume of business. Within the last few months railroad earnings show large increases, with all available equipment and rolling stock in use. Owing to an enormous volume of exports at unusually high prices, and a decrease in imports, the balance of trade in our favor for the calendar year 1915 will probably reach the previously unheard of total of one and three-quarters billions of dollars. Gold flowing into this country in huge quantities from all sides has made us today the world's greatest gold market, and the American dollar, for the time being at least, has taken its place with the pound sterling as the medium of exchange for the settlement of international balances. Dollar exchange is today at a premium in practically all the money markets of the world. The sunshine of prosperity seems to warm the land, optimism is everywhere, and we face the approach of winter with confidence and peace of mind.

But the striking contrast in conditions between today and a year ago, this right about face in the trend of our national affairs, furnishes material for serious study and searching analysis of underlying conditions and future possibilities. We are in the midst of tremendous events. Forces are at work which at times seem to be undermining the very foundations of civilization and promise nothing for the future but governmental chaos and a return to the rule of might and brute strength. Again we seem to see the possibility of a world emerging from this saturnalia of slaughter and destruction, chastened in spirit, made wise by bitter experience, and restored to reason; a world wherein an enlightened leadership shall build, on the foundations of popular government, new nations dedicated to the perpetuation of peace. But whatever changes may result in boundary lines or in forms of government, whether absolutism, oligarchy or democracy shall hereafter govern Europe, one thing stands out quite clearly, and that is the tendency developed in all these countries, during the war, toward a nationalization of the forces of production. The zealous socialist may well view with satisfaction the progress of events, for has he not seen in Germany the regulation and even the actual taking over by the state of the instrumentalities of production in many lines. He has witnessed regulation of the sale and distribution of food and other necessities of life. The same extension of the functions of the state, in a smaller degree perhaps, have taken place in France, in Russia and even in England.

When the horrible work of destruction shall have ceased, the task of rehabilitation will begin. There must be a rehabilitation not only of physical resources destroyed but of shattered credits as well. Individual effort will avail little. The lesson of the value of organization in war has been well learned. Such organization will be equally effective in peace, in the work of reconstruction. Europe has learned how to mobilize its resources for war. The machinery for this purpose has been created, and can be used with great effectiveness in organizing its resources for winning back from the United States its temporary supremacy in trade and commerce.

It is important that we should study most carefully the possibilities of the future as they affect our own industrial and commercial outlook. There are many of us who, at the beginning of the war, argued that the inevitable disorganization of industry attendant upon a great war, where millions of men were taken from their productive tasks, would change the margin of

competition in our favor where heretofore, in many lines, we were unable to compete with European producers. We reasoned that the manhood of Europe was in the trenches and on the firing-line; that the inevitable demoralization attendant upon trench life would reduce the productive capacity; that millions of the skilled laborers of Europe would be sacrificed; that industrial organization would be disrupted through the loss of foremen, superintendents and managers; that huge occupational taxes would impose an unbearable burden upon industry, and that to escape the burdens of taxation a great wave of emigration would sweep to this and other countries. Because of this general throwing out of gear of the machinery of production, it seemed reasonable to assume that the United States had before it its big opportunity to dominate permanently the trade and commerce of the world.

In the light of events in Europe and the developments in the United States, those who have held these views may find compelling reasons to reconsider their former conclusions. We have seen developed in Europe a spirit of intensest patriotism and a willingness to give in the fullest measure for country. The success of the tremendous war loans in Germany, France and England, over-subscribed in every instance, is indicative of the spirit of the people. The women of these nations have given to the world an example of sublime devotion. Who shall say that men and women who have unflinchingly suffered the tortures of war will not cheerfully bear the burdens of peace? We may reasonably anticipate that with a willing spirit they will bend to the task of building up again the fortunes of their native lands, denying themselves comforts, luxuries and even necessities in order that their national honor and credit be restored, and their country regain its industrial prosperity and commercial power. Where individual manufacturers need credit and financing in order to restore a shattered industry it may be assumed that the government will help. Where it is necessary, we may expect to see the government actually operating various industries in order to give employment. Everything that can possibly be exported will be exported, and only those machines, tools and supplies which are necessary for rebuilding industry, and those necessities which cannot be produced, will be imported. Goods produced under these conditions, and as a result of this spirit, will be sold in the markets of the world in competition with our goods. These goods will be sold at a price that will make them sell, because their sale will be a national necessity.

That the statesmanship of Europe is anticipating the future, and is already planning for the trade struggle bound to take place, is proved by the formation of organizations in England, under Government auspices, for a study of trade and commerce, and particularly for the purpose of investigating the possibilities of foreign markets now held by Germany and being entered by the United States. An industrial commission has been appointed in France for the study of plans for the rehabilitation of its industries affected by the war; in Germany, an organization, headed by Dr. Dernberg, has been formed for the development of plans for a trade conquest of South America after the war shall have ended.

Let us now indulge in a bit of frank introspection for the purpose of analyzing our own conditions. The exceptional prosperity which we are now enjoying may be traced directly to the huge orders for supplies placed in this country by the warring nations. Due to the urgency of the need of our purchasers, high prices have been obtained for our goods. Owners of factories which have been running for years with little or no profit have in one year made profits large enough to pay off past indebtedness and to lay aside a surplus for the future. Easy profits breed extravagance and discourage economy. Human nature is such that every individual is more or less covetous of the things which the man just above him is enjoying. The aim of every man, no matter how humble, is to increase his living standard, and to give his children greater advantages than he perhaps himself enjoyed. No one can say that such ambitions are not laudable and deserving of commendation. To raise its standard of living, however, labor must have higher wages. The large profits made by manufacturers in munition contracts have encouraged labor, not without justice, to demand its share in such profits. Wages have been increased in these lines, and the demand is spreading to laborers in other lines. The significant and ominous fact that stands out above all others in the present situation, is that we will be confronted with a rising wage scale, and a tendency toward increased living standards at the very moment when our competitors, by force of necessity, will be obliged to reduce living standards and to keep wages at a minimum.

Competition is of two kinds—in quality and in price. No one has excelled the American manufacturer in quality of goods produced, but no matter how good the quality if the price is out of line, the goods cannot be sold. The price at which an article

can be sold depends upon the cost at which it can be placed in a particular market. Entering into the cost of an article are the cost of raw material; capital charges, which include equipment and plant; labor costs and the cost of distribution. In most instances, by far the largest item is the labor cost, and next, the cost of distribution. It needs no demonstration to prove that if labor costs are inordinately high here as compared with Europe, the American product cannot be sold in a competitive market except at a loss.

Wage scales are becoming more and more inflexible and arbitrary. Wages can usually be moved in one direction only, and that is upwards. It is, therefore, of the utmost importance for the future of our manufacturing industries that the best minds in this country center their attention upon the solution of our labor problem. Unless it is solved, or unless some means is found of offsetting our great handicap in labor costs, we shall, when the nations of Europe again become active competitors, lose not only the foreign markets now opened to us by force of circumstances, but our domestic markets as well.

It is fundamentally fair that in hard times labor should share the burdens with capital, and the corollary of this proposition is equally sound, that capital should share with labor the large profits of prosperous times. It would seem, therefore, that the possible solution of the problem lies in agreeing upon minimum wage scales based upon the wages in competing countries in the same occupation, making due allowance for differences in the cost of living, increasing wages in fair proportion to profits in prosperous times and returning to the minimum standard in periods of depression. The wages must be fixed, however, in all instances, with the idea of enabling production to take place on such a basis as to permit successful competition with foreign manufacturers at home and abroad. Capital, likewise, should consent to have its returns regulated with the same competitive principle in mind.

It is only by recognizing the interdependence of capital and labor, and by forming a partnership on a fair, broad-minded basis, that any permanent results can be expected looking toward the solution of the labor problem.

As a prerequisite to any arrangement of this kind, labor must be educated to an understanding of the problems of our commercial and industrial future. Right now it is of extreme importance that labor should consider increased wages in the light

of a bonus, or a sharing in exceptional profits earned by employers as a result of the unusual economic position of the United States. The laboring men of this country must have impressed upon them the important fact that if, when the war is over, wages are to remain at their present level, competition with Europe in many lines will be impossible. They should appreciate that steady employment at regular hours is infinitely preferable to half time and intermittent idleness.

It is too much to expect that the labor problem can be easily or quickly solved. Experience shows that labor is suspicious of capital. Too often in the past, and not entirely without justification, it has considered its interests as directly antagonistic to those of capital. Labor disputes have usually been fought out as a struggle between enemies, and rarely has there been a real appreciation of their mutual interests, and a discussion of differences in this spirit. May we not hope that both labor and capital will come to a prompt realization of the vast importance to their interests of the unusual opportunity offered to this country of developing its foreign commerce, and that with a clear understanding of competitive conditions they will work in closer harmony to the same great end?

But the reduction of labor costs and the working out of a partnership between capital and labor in an effort to keep down production costs are not of themselves sufficient to meet the needs of the situation. Industry in this country is not organized on sound economic lines. There is altogether too much waste, duplication of effort and inefficiency in organization.

To place us in a position where we may be able to compete successfully in foreign markets, there is needed intensive organization of our industries for the elimination of waste, and the development of greater efficiency. To keep down sales costs in foreign markets, our manufacturers must have the right of combination in the foreign field. In a discussion of the subject of the organization of our industries, we must clearly understand the conditions under which we are working. This country is young, and its handling of economic problems has been far from satisfactory. In these matters, the nation has behaved as might be expected of a youth. We have been intemperate, impetuous, wanting in foresight, acting often without deliberation and without an appreciation of the consequences. Business and economic problems have invariably been handled as political questions. We have gone from one extreme to the other.

The tariff, which is fundamentally an economic and business problem, is either high or low in spots, depending upon what section of the country has the preponderating influence in the majority party. Every tariff we have had in the last twenty-five years has been a protective tariff. There is no actual principle of free trade or protection involved. It is simply a question of the degree of protection, fixed without any regard to the real purpose of the protection principle, namely, the difference in the cost of production here and abroad. The worst of it is that the job of tariff-making is never completed; there is always something to be undone, changed or added to. The result is that no manufacturer in the United States, making an article which must meet foreign competition, can safely plan for the development of his business over a period longer than the life of one administration.

The railroads of the country have suffered seriously because of this manner of handling economic questions. At first they were encouraged, in some instances by subsidies, to build railroads in undeveloped parts of the country. For many years, these roads did not pay. They were allowed to charge whatever rates they wanted to, with no attempt whatever at regulation. Along the lines of these roads hundreds of thousands of acres of valuable farming lands have been developed, and prosperous cities have grown up. The roads themselves have been obliged to rebuild their lines and re-equip two or three times on account of the introduction of heavier rails and better equipment. By reason of the lack of regulation, abuses crept in—then suddenly a popular clamor developed against the railroads, and forty-eight States and the National Government commenced to pass restrictive laws against the railroads, ill-considered in many instances, and all resulting in hampering their usefulness and bringing their development to an absolute standstill. Railroad construction in the last few years has practically ceased. The list of railroads being obliged to pass dividends, default on interest payments, and appeal to the courts for the appointment of receivers, is anything but a credit to this country.

In the development of the resources of this country capital was given a free hand. When our first great combinations or trusts were organized, they were not only favorably received, but we pointed to them with pride, as evidence of the bigness of our prosperity. In many instances these large aggregations of capital built up monopolies in their lines, unfair practices were common,

and abuses of many kinds crept in. The politician and the demagogue suddenly found a new subject for oratorical denunciation, and again we went to the other extreme. It was decreed that combinations of formerly competing industries should no longer exist, and we proceeded to break up in many cases efficient organizations for the purpose of compelling an artificial competition between the constituent parts of the organization. In our handling of the trust problem, we refused to recognize the value of organization in industry, and to save that which was economically sound. As a result of the passage of the Clayton Anti-Trust measures, we are today hopelessly handicapped in our efforts to build up foreign markets. Forced to meet organized forces of production in foreign markets, our manufacturers are denied the right of coöperative effort and are obliged to send individual representatives into foreign markets; they are forbidden the right of an agreement on prices in such markets, and are actually forced to compete against each other, thus making the business unprofitable to all, to the entire satisfaction of our foreign competitors. An arrangement for the pooling of expenses and the dividing of profits would result in a more intensive and far less expensive handling of a foreign market in a particular line.

It is encouraging to note that the Federal Trade Commission is seriously studying these problems of organization, and that it is giving every evidence of an earnest desire to be of real assistance to the manufacturing industries of this country in the movement to build up our foreign markets. We have every reason to hope that the commission's investigation will lead it to recommend to Congress an amendment to the trust act permitting combinations in foreign trade on a fair and equitable basis.

Realizing, however, the fundamental handicaps under which our industries are laboring by reason of the defects in our political system and the lack of real consideration given to economic problems, we must plan our development so far as possible along lines economically sound and yet within the law. There are no restrictions in the laws against the organization of allied industries. These, wherever possible, must be brought under one effective management and duplication of effort, particularly in distribution, eliminated. As an illustration of a possible economic organization, consider the case of the manufacturers of shelf hardware—one makes a saw, another a hammer, another a wrench another an axe—each establishment has its force of salesmen, its purchasing, its credit, its advertising and its financial depart-

ments. An economic organization of this shelf hardware industry by consolidation of individual plants would permit production at greater efficiency and at a cheaper price; would provide a steel plant for furnishing tool steel, a woodworking plant for handles, one purchasing department for other supplies, a consolidation of credit, financial and advertising departments, and, of most importance, the doing away with separate sales organizations, promoting sales campaigns for each article. One salesman could sell a complete line of shelf hardware as easily as he could sell one article.

A close study of this subject of organization of our industries would develop many possible means of lowering production costs and result in the placing of our industries on a more scientific basis.

We have the greatest resources of any nation in the world. If we could use them scientifically and economically, we might be able to overcome the difference in wage costs and meet the competition of any country. Cheap water power and coal are important factors in production. We have an abundance of both. In the reorganization of our industries it may be possible that many plants will have to be moved to take advantage of fuel supplies. Inventive genius must be encouraged to develop further labor-saving devices.

The contest between nationalized effort across the water and individual effort here, handicapped by governmental restrictions, may seem to be unequal, but we must place our faith in the efficiency engineer, the inventive genius of the Yankee mechanic, the resourcefulness of the American salesman, and the untiring energy of our industrial leaders.

We must organize not alone the forces of production, but the sources of capital in this country. A factor of greatest helpfulness in foreign trade is the investment interest of a country in a particular foreign market. Germany and England have nearly five billion dollars invested in South America. It is not necessary to argue the value of such investments. English investments in South American railroads means that English-made cars, pulled by English-built locomotives, will run over English-rolled rails; that all purchases of supplies will be made in London; that the roads will be managed by Englishmen, and that the influence of the roads in the country through which they run will be exerted in favor of the advancement of England's interests. A permanent

market is thus made for English goods which is quite safe from attack.

Heretofore in this country we have made few foreign investments, partly because we have had so much need of capital in our own country, but mainly because there have been no organized facilities in this country for the purpose of analyzing and investigating foreign investments. Happily, the machinery for this work has been provided during the last month in the organization of the American International Corporation.

Sir George Paish, in an article published in the *London Statist* in May, 1914, estimated the annual income of the people of the United States at about thirty-four billion dollars. Other authorities have estimated the income variously from thirty-two to thirty-seven billion dollars. Upon our ability to save out of this large income substantial sums for investment in the upbuilding of the resources of foreign countries depends, to a large degree, the future prosperity of this country. Across the water men are sacrificing everything for country. Here, blessed with peace, may not a sacrifice, but slight in comparison, be made in the interest of our country's future? If, as the result of the development of a spirit of thrift and economy in this country, large sums of money were to be available for investment purposes in South America, in Europe and in the Orient, we could purchase for ourselves investment interests in foreign markets, which would become permanent sources of income to this country.

The demands for investment capital in the next few years will be unprecedented. Europe will have no money for South America, for China, or for any of the countries that have heretofore been dependent upon it. It will, in fact, need to draw upon the world's available capital supply for money for rehabilitation purposes, and this country will be the main source of that supply. It would seem, therefore, that every citizen in this country at this time has a twofold duty and that by performing it he is rendering a real patriotic service. First is his duty to reduce his expenditures, practice thrift and save; and, second, to forego the temptation of speculative investments and to invest his savings where they will do his country the most good in the upbuilding of legitimate enterprises at home and in the development of the resources of countries whose markets are being sought.

Successful development of a permanent foreign trade will, in its last analysis, depend upon the growth of a broader spirit of nationalism in our commerce.

In the building up of a foreign market, any American enterprise that aims to develop facilities and service should receive unqualified support. American shipping lines wherever established should be used in preference to those of other countries even at a monetary sacrifice. No English merchant would think of sending his collections through a bank which did not use the branches of an English bank wherever possible. The predominant idea at all times should be that anything which will encourage or help American enterprise in a foreign market should be done, because American success in any line helps to build up the prestige of all Americans in a particular market. The good name of American manufacturers must be protected. Our efforts to build up permanent markets may often be seriously handicapped. If certain exporters are guilty of unfair practices and trickery in their dealings with foreign customers, their acts will nullify the efforts to extend American trade. Many complaints have been received from South America in regard to our failure to follow shipping directions; to our refusal to grant reasonable terms; to the increase of prices after orders have been given; and to substitutions in orders and the shipping of inferior goods.

Every American manufacturer interested in South America is deeply concerned in maintaining the good name of the manufacturers of this country. All suffer through the acts of a few. An organized sentiment among manufacturers interested in export business must be built up which will compel those who engage in foreign trade to live up to the ideals of business honesty and integrity in their dealings with foreign countries.

No nation was ever favored with opportunity so big and a future so promising with possibility of achievement. Whether history shall record this country as rising to the occasion and taking fullest advantage of its opportunity will depend upon whether our national character is strong enough to make present sacrifices for future permanent good, upon the education of our people to an understanding and appreciation of the great value of a permanent foreign commerce to this country; and, of most importance, upon the development of a nation-wide coöperative spirit that shall respond generously and unselfishly to the call for united action in this great moment of our country's history.

THE TOASTMASTER: Gentlemen, we are debtors to the distinguished banker who has favored us with his searching and helpful analysis of this critical situation. On behalf of the bar, I even withdraw any sense of resentment at those unhappy remarks about the lawyers.

I remember Mr. William Livingston, the former president of the Association of Bankers, related not long since a story of the days when banking was not so confident nor so great as it is today. He remembered that in the early days in Wisconsin, where lumber villages were abandoned as the work was finished, and were sometimes re-inhabited by those who came to work the stumpage, and he recalled how, in one of those passing successions of ownership one merchant was very much astonished to have a man appear in his store one morning and offer him one hundred dollars for deposit. He went outside and discovered that there had been a bank in the store which he now occupied, and that the banker's sign still hung there. "Why," said Mr. Livingston, "in the course of four days he received four other deposits for the same purpose, and on the fifth day he became so confident that he put in fifty dollars himself."

We have the good fortune to have at our board this evening one who has earned a national reputation as a distinguished student of the various problems so intimately connected with the development of foreign trade, and who has made great contributions to the spread of education upon that subject among the youth of our land.

I have the pleasure of presenting Dr. Jenks, of New York University; and he is at liberty, without restraint, in the selection of a subject that will most interest you at this hour. (Applause.)

Speech of Professor Jenks

PROFESSOR JEREMIAH W. JENKS: Mr. Toastmaster, honored guests from our sister American republics, ladies and gentlemen: At this hour of the night, and after the learned, searching and eloquent addresses to which you have listened, the only subject that it would be possible for one to take, I think, would be that one most interesting subject of all, ourselves. In consequence, I am going to ask you to permit me to speak very personally and directly. It is my business as a student of economics—that means a student of business, to look somewhat into the functions of business men in a community, and to note what business men are doing in government, and it has seemed to me

for some time that those great tasks which are imposed upon business men, as has just been so thoroughly set forth by Mr. Kies, are not fully appreciated by all business men.

In the early days of the Republic it was felt by Washington and Hamilton that the only possibility for the continued existence of the Republic of the United States was that the central government of the United States bring in as its chief supporters the leading business men of the country. And the first tariff policy formulated by Hamilton was framed with that distinct purpose in mind—to bring the great business men of the country to the support of the government.

Since I have been sitting at this table I have had handed me a cablegram from Shanghai in which it is stated that the incipient revolution that we were reading about in the papers yesterday and today has been suppressed, that the leaders of that revolution have been on trial today in the courts of Shanghai, that everything is quiet there and no further trouble is anticipated. The reason why the present new republic of China will live—because I believe it is going to live—is because the policy followed by the President Yuan Shih-kai has met the approval of the Chinese business men as the policy of the empire that preceded never did meet the approval of the Chinese business men. If foreigners will avoid undue interference—that is the only danger for China—the business men of China getting back of the new republic will make China a great nation. Give it ten years of non-interference and China is safe, because the business men of China are back of the government.

Mr. Kies mentioned a number of governmental policies. We all know what the subjects are that have been touched upon by the President in his message today. Every one of the policies that are mentioned today, including that of defense, is primarily a policy of business; and how many business men are there in Congress today? If all of the lawyers in Congress were as familiar with business as is our distinguished toastmaster, then we might, of course, trust our interest to lawyers in Congress. (Applause.) But I suppose most of us who are quite familiar with the lawyers in Congress judge that they are not, after all, the best representatives of the business men of this country; the policies of our country having been shaped, as they should have been shaped, for the stability of our country, rich and poor alike, in the interests of business, as we all know. Now, it does seem to me

that it is the duty of the business men, broadly, thoroughly to study these questions and then to see to it that they take enough active part in politics so that they will have the right representatives to speak their will.

Aside from this question of politics, I think anyone who looks into the things that have been done by the business men within the last few years must think that, after all, they are the moving spirits in the country. I was speaking just before I came in with Professor Johnson, professor in the University of Pennsylvania, as you know an able business man himself and a most thorough student of business, and he called my attention to the fact that these great improvements in education of which the minister from Peru has spoken have, after all, sprung from business men because of business needs of the country and because those needs demanded it. These great gifts to the universities are very largely in these latter days gifts to train people in such a way that they may conduct the business and public affairs of the nation more wisely.

You have been told that our schools teach Spanish. My school does. Why? Because business men want to have our young men study Spanish. They are getting ready for their future life's work, and so our curriculum drifts in that direction. Whatever you want you can have along educational lines.

Another thing that has been touched upon here very eloquently by all of the speakers has been this: That we need a spirit of coöperation; that we need to encourage brotherhood among the nations; that we need fair dealing. It is not a week since, in talking with some business men with reference to conditions in this country, it was said that the great advance in morals in this country for the last twenty-five years had come from business men, because business men wanted the improvement to begin with, and because they found it paid. I happen of late to have been taking part in an investigation into the changing conditions in this country during the last thirty years, and one of the most striking things that is to be noted is the change in business methods, and in the whole attitude of business men. Why is it that on our railroads the engineer, the trainman, practically everyone is temperate now as compared with what he was earlier? Because of the pressure of business upon him. Why is it that our clerks, our employees all through the business institutions, our men of high standing, are temperate? They must be temperate or they cannot hold their jobs. Business

demands it. I was talking the other day with a man in my house with reference to a person who, he thought, was not quite living up to a promise he made a day or two before. He said, "We cannot stand that in Wall Street." The one unpardonable sin in Wall Street is that when a man makes a contract, even though it be merely by a sign, he welch on it. That cannot be tolerated. I have often thought that by far the greatest sin, from a community viewpoint, is untrustworthiness. Society absolutely rests upon our confidence in one another, and that confidence cannot be had without truthfulness, living up to contracts, trustworthiness all along the line.

Here is another little incident that interested me. Some little time ago I was asked to speak before an advertisers' club and was talking with the president of the club, he said, "We have been devoting ourselves primarily for the last year or two to seeing to it that advertisers tell the truth, that they are honest all the way through," and that again is a movement that we cannot check. All business men are back of it. They must be back of it.

I wonder if you will let me, in two or three minutes, go just a step farther along this same line. Our toastmaster spoke a moment ago about the way in which the business men are studying the Bible, the Old Testament; spoke in a joking kind of way, but I think this statement should be taken seriously. It is a rather new view of religion. When Mr. Kies said with reference to the duty that rests upon business men, if we care for the future of our country, to stand together, to work hard for the benefit of our country and not for our temporary pleasure, I thought he was practically saying that we ought to devote ourselves to our business very largely in a spirit of religion. I think so, too. It would take the superstitious element out of religion and keep in merely the common sense. In the instance I was speaking of at the advertising club, this statement was made:

"All good advertising, all the best salesmanship depends upon an intimate knowledge of human nature."

Good oratory, good salesmanship, means this: That we must be able to put ourselves into the attitude of the other man, understanding his nature and his position thoroughly, and then bring him around to our viewpoint by showing him the advantage that it will be to him to come in that direction. Now, did you ever stop to think about this matter? And I speak of it perfectly simply and directly and not as a teacher of religion—as I am

not—did you ever think of it, that the personality who has made the greatest change in our social circumstances in the whole political world, because he understood the fundamental principles of human nature best, because he was the greatest social psychologist that ever lived, was Jesus Christ? That is a fact. He understood the fundamental principles of human nature better than anyone else has ever done, and He laid down very simply and very directly and lived out those principles best, in such a way that it has practically changed all society since His time. Let me just name one or two points and you will see it was good business which He was teaching.

We hear a great deal about the unselfishness of Jesus Christ; that He taught we must be devoted to the welfare of others. That is true, and we are not going to have the desired extension of trade with South America unless we have that spirit, too. But the most fundamental thing and the newest thing in the teaching of Jesus Christ was this: That each man was to be held responsible for his own acts. That was something absolutely new. The great teachers of the ancient days like Plato, had always presumed a slave class that were to do as they were told. Amongst the Hebrews in Palestine where Jesus Christ Himself was living no man was expected to think for himself; he was to follow rules laid down by priests; it was substantially in this regard an absolute sovereignty. He taught that every individual, no matter how poor or how ignorant, was to be held responsible and that his position here and hereafter would depend upon his own decisions. That was what cost Him His life more than anything else.

Now that feeling of responsibility is what we want in business; and that is what makes a business man successful. That is what makes a man a master of business when he is directing a great labor force. If he can get each one of his laborers to feel, "I must be responsible for my job," and the boss to say, "I must be responsible for my job to those above me," and take the responsibility and hold it, that is religion, and he is following the most fundamental principle of the Christian religion that there is. We cannot lay off our responsibilities upon any priest, upon any teacher or upon anyone else. We must bear that responsibility ourselves and take the consequences or we are not doing as Jesus did. And that implies that we must be independent in our thinking. That implies that if we are to take responsibility we must study our subject; we must know what it is that

we are doing before we act. And just there, again, we often misunderstand the Bible teaching. After that Marvelous Child had shown Himself the peer of the wisest men of His day at twelve years of age, He studied and thought twenty years more before He went out and said anything in public to show what His plan for reform in society was. We must make the same careful preparation.

I did not come here to preach, but I do feel this: That the business men who are going to succeed in dealing with these foreign markets, in handling their own affairs, in directing their own business within their establishments, in doing their duty by the country outside, in taking their proper share in legislation, will do it the best and learn the most if they make of their business a religion in this perfectly simple direction in which I have spoken. They must take the responsibility that they ought to feel as citizens of a great country. What business has anyone of us to think exclusively, selfishly of his own little affairs when we have a hundred million people here with their welfare depending to a considerable extent upon the act of each of us. We must bear the responsibility, and we must do it studiously and thoroughly, as the founder of the Christian religion did, and then we must do it in this marvelous spirit of unselfish brotherhood that has been so well spoken of by the other speakers of the evening. When the business men of the country get that spirit into their business, not only will their business be most successful, but the world will bless them for their way of doing business. (Applause.)

THE TOASTMASTER: Gentlemen, with that handsome benediction from our friend of New York University the exercises of the evening are concluded, with Godspeed to each of you.

SIXTH SESSION

Wednesday Morning, December 8, 1915

The Conference was called to order at 10:15 A.M., by Colonel George Pope.

COLONEL POPE: Gentlemen, the sixth session of this Conference will be presided over, and I am sure to your pleasure and satisfaction, by Mr. William McCarroll, formerly a vice-president from New York of the National Association of Manu-

facturers and Public Service Commissioner of the City of New York, a gentleman who has had much experience in general affairs.

I have pleasure in introducing to you your Chairman for the day, Mr. William McCarroll. (Applause.)

MR. MCCARROLL: Mr. President and Gentlemen of the Conference: It is not my intention, nor is it my province as Chairman, to do more than say a few words in expression of my appreciation of the honor of presiding over some of the sessions of this most important conference. It is an international trade conference and one of the things I have noticed as most prominent in all the meetings that I have had the privilege of attending has been the spirit of internationalism; because there is such a thing as a spirit of internationalism.

I well remember—if I may be pardoned a personal word—when I was first engaged in undertaking to promote the foreign trade of the house with which I was at that time in business. In talking with a merchant or a banker in London, Paris, Amsterdam, Bremen, Hamburg or in Berlin I found that they had in all those places an international spirit, so that when they spoke of any country such as we call a foreign country, a country abroad; they spoke of it as if it were a contiguous territory, almost the same as we would speak of one of our States, and with the same familiarity. That is something for which the American merchant has not been distinguished until recent times. Now we are getting some of that spirit of internationalism in trade. It has as a basis and also as a growth, a spirit of fraternalism, which is the foundation of all relations between business men and between men the world over; and in the interest of the extension of which we are met here in this trade conference.

Gentlemen, without taking more of your time, we will proceed with our program, because I am admonished that the pictures having moved, the business of this conference should also move.

As the first speaker I have great pleasure in introducing to you Mr. Rossati, commercial attaché of the Italian Consulate, New York, who will speak to us with respect to the commercial world in Italy. (Applause.)

Address of Mr. Guido Rossati

MR. ROSSATI: Honorable chairman, ladies and gentlemen of the Conference: It is a pleasing duty for me, that of conveying to

this Conference the assurance of the interest taken in it by the Consul-General of Italy in this city, who has greatly appreciated and is thankful for your kind invitation, aware, as he is, of the far-reaching importance of the subjects discussed here. Regretting his inability to be present, he has honored me with the request to attend in his place—a meager substitute, I am afraid, but none the less sincere in congratulating you on the success and fruitfulness of your labors.

That Italy has, since current events, awakened renewed interest in the United States not only as a world power entitled to respect and consideration, not only as the land of traditional artistic excellence and enduring genius, but also as a field for commercial possibilities, is daily becoming more evident.

Until recently little was known to the ordinary American about the commerce between the two countries. That Italy used to send to these hospitable shores a yearly contingent of about 200,000 able-bodied immigrants; that her trade with this country represented about 3 per cent. of the total foreign commerce of the United States; that she supplied us with such commodities as silk, fruit, certain lines of food products, and certain raw materials necessary to the chemical and building industries, exchanging these exports for cotton, grain, tobacco and lumber, naval stores, animal products, mineral and vegetable oils, copper and other raw materials and agricultural and specialized machinery, was all that was generally known of her commerce with this nation, and little thought was given to its development.

Although this Association had its representatives promoting the interests of social intercourse with foreign nations and had time and again called the attention of American manufacturers and merchants to the possibilities of trade with Italy, the full extent of those possibilities was not generally appreciated or known.

I remember attending for this purpose some years ago a meeting held in the offices of your Association, when I had the honor of meeting and the pleasure of listening to a very interesting report of the then United States Consul at Milano on trade conditions in Italy. It has only been since the outbreak of the war in Europe, however, that the increase in the exports to Italy, with the remarkable balance in favor of the United States from \$18,000,000 in the fiscal year 1914 to \$130,000,000 in 1915, brought about by the new conditions of the war, has drawn to Italy and its economic possibilities the attention of American

business men. It may here be stated that this increase is not entirely due to war orders, but in no small part to purchases here of goods formerly obtained in European markets.

The fact should not be overlooked that trade between this country and Europe has developed almost concomitantly with an almost even balance between the two countries, up to ten years ago when the trade balance began to be in favor of the United States, notwithstanding the great stimulus that imports from Italy received, due in part to the enormous Italian immigration and to the marvelous industrial development of this country.

To maintain permanently this trade is a matter deserving of earnest consideration. It is necessary, however, that imports from Italy should also be developed, as they amount to only about one-quarter of the exports, which has resulted in the present disparity in the Italian exchange.

It is well established in economics that in order to sell to a country you must be willing to buy from that country. America must, therefore, increase the purchases from Italy if she intends to cultivate the foreign trade.

Little attempt has so far been made by Italian manufacturers and merchants to employ efficient commercial organization and coöperation to extend to the utmost the market for Italian products in this country, and in lines other than food products or raw and semi-raw materials.

Little doubt exists, on the other hand, that the volume and variety of Italian trade, by more systematic endeavor could be largely developed, not only in lines in which Italy has already realized an established reputation for excellence, but also in new lines, and especially in commodities where the value of workmanship is no small factor.

Italy's Commercial Progress

Italy's record for the last thirty years, during which her exports to this country have more than trebled, is one of notable economic achievement, due to the industriousness, thriftiness, frugality and progressiveness of her people, who have proven their ability to work constructively for the future as they have in the past. Its affairs well administered, Italy has shown continuous increases in population, wealth and education, extraordinary gains in commerce and industry, and a strong and steadily improving national credit. Sound finance and a steady national credit are elements of paramount importance in the economic life of modern

nations. Over 40 per cent. of her public debt has been incurred for productive work, such as the construction of canals, railroads, telegraphs and telephones, harbors, drainage and the betterment of land.

The total savings deposits of one billion, one hundred and sixty-three million, which, during the last thirty years have increased five times, the doubling of the total foreign trade of the country during the last decade and now totaling one billion, one hundred sixty-five millions, of which one hundred and thirty-five millions represents the exports of the United States to Italy and fifty-five millions the imports of Italy into the United States, demonstrate that Italy has the economic force to respond to a greater trade extension, more adequate to her position as the highway in Mediterranean commerce, especially between the Orient and western Europe, to her traditions, identifying her with the high commercial and financial eminence attained by the medieval commonwealths of Genoa and Venice, of Pisa, of Florence and Lombardy, to her intrinsic and varied resources, to the abundance and cheapness of labor, giving her a remarkable advantage in valorizing merchandise from the raw state to the finished product, and to the numerous emigration, which is no small factor in trade extension.

The economic development of Italy has so far suffered no setback on account of recent events which seemed, on the contrary, to have brought the country to a better realization of its potentiality and to have stimulated a greater determination to exploit its economic possibilities with renewed energy.

Italy Needs Labor-saving Devices

Now that the country is freed from the dependence that has characterized her financial system in the past and has awakened to the consciousness of possessing those positive and permanent elements which enable her to look with confidence to the future, she can proceed untrammelled to organize her production on the basis of a maximum yield with a minimum cost. In this expansion Italy will need labor saving machinery, as the cost of labor is steadily increasing.

Although Italy has to import the coal she needs, this is unlikely to prove a hindrance, as this need can be supplemented by hydro-electric energy, of which the country is capable of developing an abundant supply, and which, by developing a demand for electrical machinery of all kinds and by permitting a better valorization of labor should benefit this country.

One of the most likely features of the readjustment of matters coming in Europe will be a very different orientation in the fiscal régimes from those formerly obtaining, namely, a different economic system in harmony with the new political situation that will issue from the present conflict.

New Problems Will Confront European Commerce

The industry and commerce of the nations of Europe will be confronted in the near future with new problems. Economic interests and fiscal régimes will probably group themselves into divisions which seem marked along the lines of existent political coalition. The economic régime of Italy, by reason of this inevitable change, will gain greater liberty and elasticity, which will thus afford ampler opportunity for arriving at some commercial arrangement with the United States of greater reciprocal advantage.

In contemporary civilization nations need one another and each nation may yet enlarge her sphere of independence.

Each nation can be stronger and increase, in the web of international coöperation, the measure of her independence.

Italy has sensed her opportunities. She needs cotton, grain, animal products, tobacco, mineral and vegetable oils, lumber, fertilizers, coal, machinery—all products these in which the United States plays such a dominant role in the international market that her commercial and fiscal policy will have a decisive influence in the prosperity of her friends, or mark the decadence of any nation which antagonizes her.

I cannot help noting as one of the most satisfactory features of commercial intercourse between the United States and Italy the fact that American exports to Italy are chiefly represented by materials or articles necessary to industrial activity.

The development of this trade is, therefore, closely identified with the increase of prosperity in the country of destination, of which the measure of such export furnishes a reliable index.

In exchange Italy wants to sell to this country more of its special lines of agricultural and food products, of its silk and textile materials, of its tropical fruits, of its olive oil, of its artistic productions. This can be accomplished without fear of repeating in the case of this country the unwelcome experience of political intrigue or industrial dominance.

Credit and Banking Facilities Needed

Credit and banking facilities must be provided in the up-building of a more extensive commerce. Capital and credit are

as essential as raw materials and products to the progress, individual and national, of peoples.

The bank is nowadays the propelling factor in the prosperity of nations, and credit and banking must possess the elasticity of adaptation to the conditions of the environment in which they operate.

Long established usages arising from peculiar local conditions and associated even with the most conservative business in Italy and elsewhere in Europe require credit extension, to which the American exporters, practically accustomed to a cash business, are amenable with difficulty, but which is imperative in order to secure the business, and which should not act as a deterrent nor restrict the scope of activities, provided the proper organization for the control of credit and the proper facilities for the extension of credit be furnished.

This necessity has become all the more manifest since the international financial center has come to New York, and since the dollar has practically become the basis for the world's monetary exchange.

Credit facilities through the opening by some important American bank of branches in Italy would have a beneficial effect in reducing the present high rate of exchange which operates unfavorably on the development of commerce.

Foreign trade is an indispensable factor in the life of any nation. A country favored by an active movement in the imports and exports grows rich and prospers. On the other hand, a country handicapped in its foreign commerce becomes impoverished and declines.

As the highest aspirations in the field of human progress and betterment turn to America as if awaiting from her the dawn of a new life to guide the future and better destinies of the human race, is it to be wondered at that to the United States, which is using the riches and power vouchsafed to it by Divine Providence toward moral greatness in comparison to which material wealth is but a vain shadow—is it to be wondered at that nations which share these ideals and aspirations should turn to the United States like unto a brother in their desire to cement closer relations?

This opportunity in the case of Italy is now presenting itself more manifestly than ever before; but in order to translate this desirable end into the realm of facts it should be borne in mind that trade which is not wholly equalized, or which is nearly

altogether one-sided, is seldom quite satisfactory, and that such trade is always destitute of the element of stability which results only from the equipoise of imports and exports. (Great applause.)

THE CHAIRMAN: I am sure that we all cordially reciprocate the sentiments that have been expressed by the Commercial Attaché of Italy.

Those of us who had the opportunity of hearing the excellent paper of Mr. Quinn regarding the opportunities and prospects for business with Australia, which he read on Monday, will, I know, look forward to hearing from the next speaker, Mr. Percy McLean, director of Frazer & Best, of Sydney, a firm which has close relations with prominent business interests in the United States. Mr. McLean comes to perfect closer relations between the business interests of the United States and those of the Australian Continent.

With great pleasure I introduce Mr. McLean. (Applause.)

Address of Mr. Percy Roderick McLean

MR. MCLEAN: Mr. Chairman and Members of the Conference: It is with a great deal of pleasure that I appear before you today after listening to the eminent speakers and the wonderful discussion and speeches that have been presented to you during the last few days.

It is most impressive for one from Australia to listen to the possibilities of the extension of the export trade of America. For many years we have done a considerable business with the United States of America, but it has not been as extensive as it should be, for the reason that the American manufacturers have been too independent in regard to manufacturing lines exactly suitable for that market, and I am very, very gratified to see that there are possibilities that that phase of the matter will receive better attention in the course of a few months. I shall go back to Australia much more reassured that America will be doing a larger business with Australia and that particular part of the world than it has been doing in the past.

A Contrast in Policies

I wanted to say this, that the German manufacturers have done a very large business in Australia for the reason that they went about the business-getting in a systematic manner. They sent representatives from the factories in Germany for the pur-

pose of looking over the market and becoming acquainted with the conditions, and the result was that when they returned to Germany the factories went to the expense of making tools and dies and special machinery to prepare samples which were sent to Australia free of charge; and naturally that meant that the people became more interested because they were getting the lines of manufacture which they required.

The American manufacturer's policy has been to sell lines in Australia which have been in big demand in America and manufactured under the wonderful efficiency that the factories show here, and the result is that the American people and factories do not appreciate the extent of the Australian market because they have not investigated it. We have had very few manufacturers' representatives out in Australia from this country in the last five years, and I hope that in the next year or two the manufacturers will see their way clear to send representatives there to investigate the situation; because I can assure you there is a very big possibility to the American manufacturer today, the market today is free of all competition, and manufacturers can very easily get in and make a very big business connection in Australia in particular.

It has been surprising to me to notice, in discussion with American manufacturers, the ignorance that sometimes exists with regard to the location of Australia and its proportions.

One manufacturer in the West asked me if Australia was in Tasmania. (Laughter.) I had to assure him that such was not the case, and went to the trouble to show him a map.

Then, another man asked me if we were all white people (laughter), and if we spoke the English language. (Laughter.) Strangely enough, another man said he thought we were at war with England. (Great laughter.)

It seems to me, therefore, that we want to get an advertising scheme to make the people know more about Australia.

I listened with great interest to Mr. Quinn's speech the other day and the details that he gave in connection with the business that had been done with America; but I honestly think that it is in its infancy, and if the manufacturers are satisfied to cater properly to that market a very extensive business will be built up.

The Shipping Question

Unfortunately the shipping question is going to affect Australian conditions for a little while, I think, but I think the

general situation is so serious that it will mend itself in the course of a few months; because it is not only affecting that part of the world, but it is affecting the manufacturers in their exporting to other parts of the world, and I hope that that matter of shipping will soon be remedied.

You may be interested to know that it takes about six to eight weeks for a tramp steamer to go from New York to Australia, to Sydney; but we have on an average of three to four mails a month from America and three or four mails a month from Australia up to the last three or four months, so that you see we are in rather good touch with this part of the world. It is just about the same distance in mail service as from Great Britain.

We, of course, have always done a big business with Great Britain and France and Germany and Austria, but, of course, those people are too busily engaged in other matters now to think of manufacturing for export; and I can assure you, gentlemen, that there are wonderful possibilities down there, and I ask you to take the first opportunity to investigate the matter. I shall be very pleased, myself, to give any information in connection with the Australian situation in the lobby, if any manufacturers wish me to do so; and I hope that much benefit will result.

I want to congratulate the National Association of Manufacturers on the extensive work that has been covered by this Conference and to express my gratitude for my presence here to listen to the discussions.

In conclusion, I would like to say that I thank you very much for the courtesy which you have extended in listening to my little talk, and I trust it will have the desired effect of still further cementing the business and commercial relationship between Australia and America. I thank you, gentlemen. (Applause.)

THE CHAIRMAN: I do not know what part of the country Mr. McLean has been traveling in, but I would like to assure him that the ignorance of which he has spoken is not so prevalent as he supposes, or as he has been led to believe. I think the instances which he mentioned are rather exceptional. However, I am sure that the interest of our business men and those particularly who are here will be stimulated in the part of the world from which Mr. McLean has come; and the object of this Conference is to do just that thing—to arouse the interest

of our business men; and I believe the result of it will be successful in the different countries which are the topics of our discussion.

We are fortunate in having with us Lieutenant J. J. Simons, of Perth, Australia, who is in charge of a cadet corps making an industrial tour or educational tour of the industries of this country, and we invite Lieutenant Simons to address us for a few moments.

I take pleasure in introducing Lieutenant Simons. (Applause.)

Address of Lieutenant J. J. Simons

LIEUTENANT SIMONS: Mr. Chairman, your Excellencies and gentlemen: This is a great privilege to have the opportunity of meeting so many of the trade representatives which it is our good fortune to see assembled in the City of New York.

The previous speaker remarked that he comes from Sydney right on the eastern side of the Australian seaboard. It is our good fortune to come right from the opposite end of the Australian continent. We live in Perth, which is as far away from Sydney as New York is from San Francisco. We especially emphasize the distance because of the fact that some of the newspapers here have referred to us as coming from an island, and have referred to our boys as "islanders." (Laughter.)

When we remember that the whole forty-eight States of the American Union could be placed inside of the Australian continent and there would still be six hundred square miles of territory left over for the real estate men, you can understand how queerly it strikes us to be called "islanders." (Laughter.)

And when I tell you that that country is as prolific as California, that is about the best comparison I can give you. The climate is more like the California pattern than any we have ever seen. In fact, we believe that Nature took Australia and improved her climate after making that of California. (Laughter.)

You will also remember that everything which is produced and enjoyed by the human being is possible of production in the varied climatic conditions from the north to the south of Australia.

In the state where we come from, alone, there is one single square mile of country which yields every year thirty-five million dollars' worth of gold—just one square mile; and that is in the

territory of one state of a million square miles, with a population of only three hundred and twenty thousand people, and when we remember that our whole population, for the nation of Australia, is but five million people, and remember the tremendous possibilities ahead, I am sure you will recognize that Australia, above all countries in the world, offers a field for the profitable exchange of trade.

Americans Not "Foreigners" in Australia

We believe the greatest factor in successful trading, the greatest factor for the man who is going out to sell, is to be assured that he has the good will of the prospective buyer to begin with; and there is no country outside of the United States itself where the United States citizen is more at home than he is in Australia. We have never heard an American called a foreigner in our country. If a newspaper is describing a great gathering where different kinds of people are represented, you will very often see the phrase used that there were present a number of Americans and some foreigners. (Laughter and applause.)

But the word "foreigner," as the other representatives from my country will tell you, is never used as applying to Americans; and on every occasion when American citizens have come to our country they have been treated as ourselves; and it is right that it should be so, because our relationship is so much intertwined, in fact our relationship we might say is indissoluble, because of the fact that the great Pacific ocean is the common heritage of the people of America on one side and the people of Australia on the other.

Sentiment and Commercial Interest

So the good-will of our people is not only sentimental but also has a great foundation of commercial interest. We, just for a moment, wish to emphasize the great part Australia must play in the future. We believe it is going to be the pivot point for the greatest human activities of this century. Last night, during the very excellent set of speeches at the banquet, many remarks were made regarding the origin of exchange and the growth of commerce, and if we review, just for a moment, the influence of history, we shall see that for many centuries the great ocean, not only of commerce but for great feats of physical strength between the nations, was the Mediterranean. Then the arena of activity shifted, and the Atlantic ocean for about three centuries became the great ocean, holding the place of pride as

the great arena for commercial and maritime activity. The signs are many, however, which show us that the great ocean of the future, the great ocean of destiny, is the Pacific. There is a new world awakening there, the world of the Orient, and the pivot point of that future activity is the Australian commonwealth. That is why we feel that the American manufacturers and the American traders must have a more intelligent grasp of the possibilities of our country and exploit those possibilities if we are going to build up those trade connections which our hearts lead us to believe are for the benefit of both.

Mr. McLean caused a laugh when he told you of his experience regarding the lack of knowledge of Australia among certain people he had met in this country. I met a man in the Western part of America who guessed that Australia was about the size of the State of Illinois. (Laughter.) And he was a business man in a very large city, but was not doing any export trade.

I have been asked to sign my name in an autograph album in my native language. (Laughter.)

My boys have been asked, by an American lady, if they will not feel awkward when they get back into their native costumes again (laughter), the assumption being that we have just put on this European clothing to appear respectable in the eyes of the American people. (Laughter.)

That will all give you some idea of what there is to do to break down these barriers of misunderstanding in order that an intelligent trade exchange may take place.

Of course, the productiveness of Australia in regard to wool is too well known to you to need reiteration. We have something like one hundred million sheep to start with, and if tomorrow morning, in a spasm of generosity, we decided to divide our sheep flocks among the American people, you would all be the possessor of one sheep—every man, woman and child in the country would own an Australian sheep, if we distributed our flocks among the population of this country. Our wool production is somewhere near eight hundred millions a year, and, as you say here, "That is some"—I don't know just how you do use that word "some" over here—but I think you would say "some wool crop." (Laughter.)

The Same Language "With Variations"

In our country, if you came out and said "some sheep," that would mean probably a hundred sheep, but over here it

would only mean one good first-class sheep, if you said it was "some" sheep. (Laughter.)

We get mixed up sometimes, on account of these little differences in expression—I don't know whether I have made any mistakes during the time I have been talking or not. I said in the beginning that our language is the same. It is the same, with variations. (Laughter.) But since I have been in this country I have learned an awful lot of new ideas about speaking English. (Laughter.)

I met an American lady in California, and I started to study natural history. I like natural history, and so I saw this lady and she was in Mills College, a very classical institution in California, and I started talking about the bears. I said: "Have you got any grizzly bears?" She replied, "Oh, yes; we have got a lot of grizzly bears." I said, "Do you have any butterflies?" And she replied, "Sure, we have butterflies; of course." I then said, "Do you have any fleas?" And she said, "Search me." (Great laughter.) I have a lot of boys with me to set an example to, and I don't know yet whether there are any fleas in California or not. (Laughter.) I made no effort to follow the line of proof which she suggested.

Of course, that is only one of the many instances. I am very much interested in the skunk. We do not have any skunks in Australia. All our animals are respectable. (Laughter.) As a schoolboy I had read about the skunk, and naturally I developed a lively curiosity to see what one looked like. We were going along in an automobile near Bakersfield, California, and I said to a man who was sitting beside me, who came from Chicago—we used to say, C-h-i-c-a-g-o before we left Australia, but we now find out that we must say "C-h-i-c-a-w-g-o"—this man was from Chicago, and I asked him whether there were any skunks around there. And he said, "That is one on me." (Laughter.) I didn't notice any (laughter), but the military instinct asserted itself, and as a precautionary measure I got as far as possible toward the other side of the machine. (Laughter.) I have come to the one conclusion that natural history as taught in the Australian schools is just as wide of the mark as the things taught about Australia in America, because, if that man was telling me the truth, and I have no doubt he was, and our natural history was correct, it would not have been possible for him to have that skunk on him without my knowing it. (Laughter.)

The worst knock of all, however, was this—you will excuse me for taking up your time in relating this to you, because I am only doing it out of a feeling of nervousness, feeling that perhaps I have made some mistakes here in speaking—I don't know whether I have or not, but there was a mayor of one of the leading cities in the State of California who had been very kind to us; I felt that I had to express my gratitude to him in a superlative way, and so I put it just as I would have expressed it in Australia. I just slapped him on the shoulder, and shook hands with him and said:

"Mr. Mayor, I can't tell you how much we owe to you for what you have done for us. You have done an awful lot for us. In fact, of all the mayors I have met, and I have met about fifty, I think you are the greatest grafter of them all. (Laughter.)

He did not show any desire to continue the friendly relationship. In fact, he almost cut off negotiations. So I said to him a minute or two afterwards:

"Excuse me, Mr. Mayor. Have I said anything wrong?"

"Well," he said, "I didn't quite like that one you put over about my being a grafter."

I said, "What's wrong with that?"

So he explained to me what the American meaning of the word "grafter" is. In our country to say that a man is a grafter is to say that he is a hard-working, conscientious, plain-talking fellow, one that works hard and does his work well, such a man as, if he were expected to work eight hours, would cheerfully do ten hours' work without any extra payment. That is the meaning of the word "grafter" in our country. (Laughter.) The American idea is altogether different. (Laughter.)

The Purchasing Power of Australia

Just in conclusion I would like to emphasize the great desire we have in Australia to build up connections with the United States. We have had trade relations with a great many people, but none of them have been more satisfactory than those we have had with the United States; and just to think of the great possibilities, you must bear in mind the size of the country and you must remember that one city, Sydney, alone, is the largest of any city in the British Empire outside of the motherland itself, having a population of eight hundred thousand, which is much larger than any city there is in Canada, for example.

Incredible as it may seem, although we have a population of five million people only, the total import and export trade of our country is about as great as that of the whole empire of Japan.

Among the purchasing nations buying products from the United States, I think since the war Australia figures about in the first seven of the highest purchasers of goods from the great American republic. So that in the trade affairs of the United States, Australia in relation to her population is playing a very, very big part.

When you consider the trade connections of the present and what has gone before, when you realize the possibilities of the future development and the fact that the Australian continent at present has a population of only five million people, whereas it will probably have fifty millions before the next fifty or sixty or seventy years have gone by, you begin to understand that all your trade efforts in Australia have so far only been the overture of what is going to happen with the intelligent exploiting of the trade possibilities that should be carried out between our two countries. (Great applause.)

THE CHAIRMAN: Lieutenant Simons' definition of "grafter" certainly makes us realize that Australia is at the antipodes. (Laughter.) We should be very glad indeed to have it come this way, however, and we hope that after awhile it may.

Turning from the consideration of these modern nations, or this modern nation particularly, Australia, we have on our program for consideration that most ancient of kingdoms, of which we often think with deep interest as a romantic land, as we study it in history; and now it is brought close to us as we consider it in its political and commercial relations. We have the pleasure of having with us Mr. Topakyan, Imperial Persian Consul General, who will now address us. (Applause.)

Persia Today and Tomorrow

THE IMPERIAL PERSIAN CONSUL GENERAL: Mr. Chairman and gentlemen: It is with a peculiar pleasure that I enjoy the honor of standing before a distinguished American gathering such as yours, because of the warm-hearted hospitality which here is lavished upon the stranger and the foreigner more than anywhere else in the world.

The thought of the great war which overshadows all our lives these days has made me think of a story in the Imperial archives of Persia.

At the early hours of each day, three hundred years ago, Shah Abbas, the great ruler as well as poet of Persia, used to go down into his garden of roses to listen to the sweet song of a particular nightingale, that would then alight among the rose bushes and sing its passionate song of love to the opening rosebud.

One morning the Shah missed the melody of the nightingale, and was deeply grieved to learn from his chief gardener that the day before the Shah's favorite songster had been stung by a serpent and had died. "That serpent," said Shah Abbas, "will surely be rewarded by fate for such an evil deed." A few days later the chief gardener came to the Shah and related with amazement that, while digging in the thick shrubbery near the imperial gardens, his shovel had severed the head of the serpent which killed the poor nightingale.

And then, one day, when for a serious offense thoughtlessly committed the Shah in anger commanded that the chief gardener's head should be struck off, the chief gardener falling on his knees pleaded with the Shah and, reminding him of the fate of the serpent in the rose garden, begged that his life be spared, were it only lest His Majesty should himself fall under the sure retribution of heaven. And Shah Abbas relented.

I wish, gentlemen, it were possible to bring the warning of this simple story of ancient Persia to the hearts of all the nations at war in Europe today, that to use violence to settle international differences only brings down the displeasure of heaven upon the nations.

Ancient Persia survived the disasters of the ages by the valor and intelligence of her sons. Today she is still the leader of the poetry and supreme art of the Orient, bringing the beauty of her flowery meadows and rose gardens to the permanent adornment of the most artistic mansions and homes of the great West with the matchless masterpieces from the historic looms of the Empire of Iran.

There, too, Nature with lavish hand still fills the storehouses of commerce with her precious products, securing for Persia no mean place of honor in the markets of the world.

But the course of history has placed Persia in the ranks of the little nations, bearing, as she had to in common with the nations of the Orient, the grievous burdens inherited from darker

days. And the nineteenth century was not a period of safety much less of happiness for any small nation. The great ones of earth were busy extending the tent-strings of their vast dominions far and near, and the fate of the small nations, whether in the Balkans or the home of Omár-Khayyam or on the Pacific shore, seemed to be abandoned to the mercy of the waves of chance.

And yet these small nations have hearts and souls as well as the great nations, and their homes, where childhood and womanhood find care and protection, are as precious in the sight of heaven as those over which the flags of the great powers float.

And now, in the merciful providence of God, we are promised the dawn of a new day for our afflicted world—a day in which international *morality* shall become the permanent law of all nations—a day in which the little nations shall not only be *tolerated* and *just permitted* to live upon God's earth (subject to the convenience and profit of the stronger neighbors), but shall become the object of the care and protection and true brotherly assistance of the greater and more fortunate nations. And we are proud and supremely happy that America stands today as the fearless herald and prophet of that new era of international brotherhood established upon the *law* of justice. I am sure you will all pray with me earnestly for the speedy coming of that tomorrow of peace and prosperity for all the world, founded upon the *true* brotherhood of all nations. *Then* will Persia regain her ancient glory through the genius and the valor of her sons of the new generation, and the caravans of Persia, burdened with her wealth, will once more crowd the highways of commerce, starting from Resht in the north to the Red Sea, and from Mount Ararat to the eastern boundaries; and Persia will no more be called a *backward* nation, but will come to her rightful inheritance as an enlightened and progressive nation, to join in the great common task of promoting the welfare and the true prosperity and happiness of our common humanity.

THE CHAIRMAN: The Committee on Recommendation which was appointed yesterday desires to present a report to the Conference, but before asking you to hear that report I shall be very glad, and I know you will be, to introduce to you Mr. Kiretchjian, First Secretary of the Imperial Persian Consulate General, who will speak to us for a few moments.

Address of Mr. Herant M. Kiretchjian

MR. KIRETCHJIAN: Mr. Chairman, ladies and gentlemen: The Persia of today has the resources and the equipment that made the Persia of old days so glorious. It is the same people, with their love of nature and art as well as of agriculture and of the home; and the land with its fertile highlands, its mineral wealth and its magnificent position on the highway of the commerce of the world presents a field for the development of all that can make a nation prosperous and great in the family of modern nations.

We are full of business ideas and aspirations, there are great opportunities in Persia for American enterprise and American capital to help in bringing back the ancient glory of that land.

We, here in America, are learning today, however—and when I say today I mean just today in 1915—that there are other forces in this world to be regarded besides the beautiful, friendly intercourse of commerce, that golden bond which binds the nations together, which develops humanity, which develops courtesy and which establishes righteousness; because commerce, at the foundation, is but true, honest intercourse, is it not?

We are learning that there are other things; and poor Persia through all the great nineteenth century learned that there is such a thing as a diplomacy that says to a small nation, "You will please stand aside." "But our interests—our life—our common inheritance from heaven as human beings?" "Well, those things are sentimental."

That has been the actual fact.

I am holding here a brief for the Oriental. What do you think of the Oriental? The Oriental has made history, science, religion, all that the world has in the West today, and they made history for you at tremendous expense, did they not? Then the light moved westward, and now the salvation of the world has to come from the West.

Why is that? Because certain ideas have bound Oriental peoples in shackles. But that had nothing to do with the younger generation that arose. I am an Armenian, and the consul general from Persia is an Armenian; for in the ancient land of Persia the subject races are honored, and the Armenians have been placed in the highest positions. Malcom Khan, the honored statesman and ambassador of Persia in Great Britain for many years, was an

Armenian, and the Armenian young men have held high positions there, as in Russia, through all these years.

At present, under the terrible and unfortunate conditions that have become possible in Turkey, anybody in the Orient should be glad enough to live. I do not say that in a spirit of discontent or of pessimism, but as an important fact.

The message I bring to you is this: The foundation of commerce, as has been so well said here, is faith and kindly feeling toward the men with whom you are going to deal. That is the essence of the Persian life and the essence of the Armenian life—hospitality in the largest sense. I am sure it is the adoption of that spirit which is going to be the salvation of the world.

They tell the story of Nasr-ed-din Hodja, the Aesop of Turkey, that he was one day asked the question: "When will the end of the world come?" He thought a little while and then he said, "When my wife dies half of the world is going to end, and when I die the other half is going to end." (Laughter.) That is rightly recognized as the typical spirit of the Oriental.

The modern generation of the Oriental countries, however, have been awakened to strive for their rightful inheritance on the highway of progress, abreast of the leading nations of the world. In the case of many of the smaller nations, however, they are placed under conditions which you might call the inherited political problems of the world, which have made it impossible for them to move out and start on the forward way.

Gladstone says that to achieve freedom a nation requires to begin with some small measure of freedom. I am sure that here in America we do feel a keen interest in these facts of the world's history of today, because surely commerce does not mean simply delving in the earth and securing its generous products and exchanging them; because in that very act there is something which comes boldly to the surface, and that is our humanity.

There is a soul back of this world, and back of the Universe, as all thinking men surely believe; and therefore there are certain systems and methods of life which are wrong, and certain systems and methods of life which are right; and civilization means upholding and maintaining the right. And, again, surely wrong that is committed does not become right or in any measure a qualified wrong because he that commits it is known as a great man or as a great nation.

We do not wish to complain, but we say that we believe the day has come when those things shall go, and when the hospitality of individuals will become the hospitality of nations; and America, standing as she does at the pinnacle of modern civilization, is destined to be the leader in improving the condition of mankind by bringing about a better understanding and genuine sympathy between the peoples of the earth.

I was greatly interested in the addresses of the gentlemen from Australia, who gave us such an interesting description of that wonderful country, the magnitude of which was not fully realized, perhaps, by many of us. They can say, as America can say, "We have made a nation"; and what a great thing it is for them and for us to be able to say that; for America stands as the wonderful product of the ages, a "new nation brought forth on this continent" after a new pattern, and it is a proud reality for me to be able to come here and to say: "This is my country; my country, with the glorious Flag floating from the Atlantic to the Pacific without the shadow of a bar sinister upon its starlit blue to mark a single act of national dishonor."

The moral force of America will lay the foundation of a sound commerce throughout the world, that signifies sound international relations and a lasting civilization. Persia and Greece and Montenegro and Servia and Armenia and Bulgaria are going then to enjoy not only equal rights, but the civilized world will say to anyone that would disturb their prosperity: "Keep your hands off the children."

If I ventured to suggest one thing for the peace of the world it would be this: What wonders could have been accomplished if part of the vast sums of money that have been spent for war had been spent for hospitality! I mean if, instead of having those two honorable gentlemen from Australia, we had a thousand citizens from there to entertain in New York City, at the expense of the city or at the expense of the country, and then a thousand New Yorkers or Americans were to visit as guests of the nation over there, and let that become an international custom (as it is in the Orient for one whole family to call upon the other and spend the day and evening); what a marvelous result that would bring about in the way of international friendship and affection, and what wonders it would work toward permanent world peace! It would work a revelation to the nations in bringing to pass the day, which must surely come, when "man to man the world o'er shall brothers be and a' that."

I thank you most heartily, ladies and gentlemen, for your attention, and for the honor of appearing before you and participating in these most interesting and instructive proceedings; and I am proud and grateful to have been able to do so as an American citizen. (Great applause.)

THE CHAIRMAN: I have just now been informed by the Chairman of the Committee on Recommendations that the Committee will defer its report until later in the sessions of the Conference; and undoubtedly there will be some other matters presented to the Committee, so that it will be more desirable to have the report of the Committee submitted in the afternoon than at the present time.

We now turn to a subject which has been the theme of many of the papers and of the most interesting speech of Mr. Kies last evening regarding the methods of foreign trade; and we now see these being put into practical effect by the extension of our foreign banking relations.

Mr. Benjamin Joy, Vice-president of the National Shawmut Bank of Boston, Massachusetts, will address us on this subject. It is needless to say that Mr. Joy speaks as an expert on the subject of his paper. I have much pleasure in presenting him to the Conference. (Applause.)

The Extension of Our Foreign Banking Relations

By BENJAMIN JOY,

Vice-President National Shawmut Bank, Boston

There are four factors which contribute to the popular belief that it is time for the United States to undertake the extension of its direct banking into foreign countries.

In the first place the Federal Reserve Act will, according to the best calculations, increase our lending capacity three thousand million dollars, and this money will inevitably have a tendency to find an outlet on account of the pressure of inactive funds.

The second factor is the remarkable increase in our foreign trade and the dislocation of trade relations of other countries. Our importers have recently found that they can buy goods from other countries than England, France and Germany, and our exporters have discovered that they can profitably sell also in lands of which they knew little before. This naturally leads them to believe that direct banking arrangements are a necessary feature of trade relations.

Another factor is the transfer of our trade balance from the debit to the credit side. By the middle of November the visible balance on international trade was in excess of fifteen hundred millions, and when any nation becomes the accumulator of funds rather than a disbursing of funds on trade balances it has been history that that nation becomes an investor in foreign lands.

The fourth and last factor in creating interest in our foreign banking is the wonderful work which the National City Bank of New York has undertaken under the new Reserve Act. Too much credit cannot be given this bank for its initiative and for the way in which it is working out this problem. The vast resources of this institution and the conservative development of its organization through many years enable it successfully to undertake enterprises outside the power of most banks. Its development along these lines, therefore, cannot be taken as a basis for arguing the extension of branch banking on the part of banks having from fifty to one hundred and fifty million dollars of deposits.

The Problem for the Average Commercial Bank

The average commercial bank, then, should not be governed by all these four factors. It should look mostly to the second—the increase in foreign trade, and by this attempt to decide what the increased business needs in the way of banking facilities and what banks of ordinary size throughout the United States can properly do to aid our merchants and cooperate in the extension of their foreign trade.

It is a popular idea that banks must be pioneers in foreign trade, and that upon them should properly fall the burden of extending our trade relations overseas. It is probable that this popular conception of a bank's activities is based somewhat on the examples of foreign banking houses, whose branches have been for many years part of the national and international systems.

We are the last country in the world of any importance to adopt branch banking, and in considering this question we find that other nations have brought it to a high state of perfection. This deludes us into the feeling that it is an easy transaction. Let us take, however, an early example of German experience. The Deutsche Bank during the time when Germany was feeling the need of an outlet for its commercial activities decided that it would take the lead in such matters and that establishing foreign branches would be a proper use of its capital. Paragraph 2 of its charter states that "the object of the company is the transaction

of all sorts of banking business, particularly the fostering and facilitating of commercial relations between Germany and the other European countries and overseas markets."

Experience of German Banks

In accordance with this policy the Deutsche Bank early in its history attempted the establishment of an agency in London which soon was followed by the purchase of an interest in the German Bank of London, Limited. Both failed in the course of time. Next, in 1872, the bank established branches in Yokohama and Shanghai, but these also proved failures, owing to the depreciation of silver and the consequent impairment of the invested capital. (These branches, by the way, were formed more with the purpose of establishing a market for German marks than of acting as trade pioneers and are, therefore, an interesting experience in view of the present belief in the need of establishing dollar credits.) In 1874, the same year that the Far Eastern branches were closed, the La Plata Bank was taken over, but in eleven years was liquidated at a loss. At the same time the bank established the policy of opening domestic branches at Bremen and Hamburg. New York was not overlooked in this field, and in 1872 a silent partnership with a New York banking house was formed which, however, was in turn dissolved. A third attempt was made in London in 1873, and this has proved very successful and has operated extensively and well. This might be called the first chapter in the history of the extension of German banking and shows as a net result the establishment of three branches out of nine attempts. It shows early discouragement and financial loss followed by striking success in the establishment of advance posts for the observation and control of new outlets for German merchandise.

Governmental Aids of the Foreign Trader

But in citing the methods pursued by European banks it must be remembered that there is much more than banking capital coöperating with the foreign trader. There is the governmental aid through differential freight rates over the governmental railroads. There is the aid of trade organizations and chambers of commerce, which are more active and responsible than here. There is the tremendous help of a merchant marine, able in large part to carry the country's products, and this last is a very practical advantage, for it not only enables the country to favor its own merchants but enables it to levy a tax on other nations and to build

up a nation's trade by discriminating against undue competition by others. This is seen to perfection in the syndicate arrangement formerly in force in South American trade, where German and English shipowners combined to boycott all business which would not bind itself to use English and German ships exclusively. They also have bounties and subsidies and price agreements, and our merchants are constantly realizing these handicaps in their foreign relations.

And so the division of responsibility in these matters should be distinct. The exporter must take the selling risk and the bank must take the financial risk. The bank's responsibility is the collection of up-to-date and accurate information, the offering of proper facilities for financing the merchant in the most economical way and for the proper handling of the shipment at the other end and the collection of the amount involved when due.

Advantages from Dollar Exchange

A supplementary duty of our banks in the foreign field is the minimizing to our merchants of any losses through exchange. To overcome this dollar exchange is being established, and any extension of this will do much to help our foreign trade. In its essence it will guarantee to the exporter that he will receive the actual amount which he has reckoned on as his selling price, and that the importer will pay to the foreign seller the exact amount in terms which he has reckoned on as his cost, both of these being accomplished by eliminating the necessity on the part of our merchants of converting into dollars through the varying media of sterling, marks or francs.

Now in order to accomplish these things an American bank can do one of three things. It can make a bank in any desired country its correspondent; it can form a joint-stock bank, or it can establish its own branch.

Through a correspondent a bank may obtain without the investment of any capital the services of an established institution. It may obtain second-hand credit information which should be reliable and accurate. It may obtain the establishment of proper credits and also arrange for the collection of drafts and the handling of the shipping documents; in other words, if the responsibility is limited to financial matters only, it has all the advantages which would be given by its own branch with the exception of the more or less sentimental one of having one's own name over the door. Granted, then, that a bank does not assume

any of the burden of introducing American goods and that its pioneer duties consist of being a financial agent and adviser only, the facilities of a correspondent and a branch are equal. A difference of opinion is possible only on the question of the degree to which a bank should become a trading outpost for American merchants.

Financing Through a Correspondent Bank

A word about the details of financing through a correspondent. Suppose that the purchaser of a line of American goods be in good standing with his local bank, and that this bank was a correspondent of ours in Boston; the credit line which we give the local bank would enable it to guarantee the importer's bills, and would enable the importer in turn to draw through the local bank on us, so that by this method he would be enabled to pay cash for his purchases in Boston or New York funds. We in turn would accept the draft on presentation, and our acceptance would entitle the draft to the lowest discount rates. The triangle is completed by our depending on our local correspondent to cover the draft at maturity, it in turn relying on its customer. I might add that we have pursued this method recently with eminent success. Credit information obtained through established banks, *if these banks are not too intimately connected with other foreign countries*, is apt to be more genuine and accurate than information obtained by one's own branch, which is regarded, of course, by local merchants and by the local banks as a rival institution. As to the advantage of having representation in one's own name it seems probable that with intelligent publicity it would not be long before our merchants would look upon a correspondent bank as a friend in obtaining all the necessary banking facilities.

It has only recently become necessary for our merchants to have their own branch banks in winning foreign trade. While we have in London at present two or three branches or agencies of New York banks they do not play an important part in extending our commercial relations; in other words, in England and in continental Europe our merchants have found that they can transact the banking end of their foreign business without difficulty and with perfect ease through our banking correspondents there. I believe that the relations between an American bank and a foreign correspondent, if sufficient time and consideration are given to them, can be made as close and as pleasant as through any other medium. The Shawmut Bank has pursued this policy

during the last year and a half and has found it eminently satisfactory. We are not ready to establish branches, but we have been able to give our merchants, I believe, a satisfactory foreign service through the large independent government banks in the various countries.

Advantages of a Joint-stock Bank

The second step would come when trade had reached such proportion that the formation of an American bank would be warranted by the trade already established. It would then, perhaps, be best for an institution in each of nine or ten cities distributed throughout the United States to subscribe to a joint-stock bank. It would be evident that such a bank would distribute its business geographically over the United States. When we in the East were using its credit and other facilities it would be probable that the Pacific Coast bank stockholders would not be using it and vice versa, owing to seasonal demands. Thus the resources and capital of the bank would always be working and earning money at times when a single bank's branch would not be fully employed. The danger in a joint-stock bank is the fact that losses incurred by any one of its owners would fall on all, but this in turn might be regarded as a point in its favor. It might be called a "group risk" or insurance against too heavy losses by any one institution in its foreign business. Now this joint-stock bank would, of course, come only as the need of it was assured, and where it was evident that the business needed an institution of its own with which to transact its foreign trade. It is easily imaginable that where business is built up with any community along definite commodity lines, the need of bank credits and the need for personal attention to the business would outgrow the facilities of a correspondent. The details of this problem would doubtless work out so that it would be better and easier to purchase one of the existing institutions in the desired country, for in this way would be overcome to a large degree local prejudice and lack of a trained organization. We may find in Germany an example of this development, as several of the banks in South America are at present owned jointly by the larger German banks, and, in fact, the more recent development in that country seems to be toward the establishment of joint-stock banks rather than branch banks.

Present Obstacle to a Joint-Stock Bank

The only present obstacle to the establishment of such joint-stock banks is the uncertainty as to the legal right of banks to

subscribe jointly to such an undertaking, but there is every indication on the part of the present administration through its Federal Trade Commission and its departments, as well as on the part of the Federal Reserve Board, to interpret very liberally the right of national banks to enter into such an arrangement along certain lines, and it is therefore fair to assume that when the time comes in the development of our bank relations for the establishment of such banks it will at that time be legally possible for us to do so.

The third method is of course the branch bank, which, for the average institution, seems to me to be a last and somewhat distant step in development. The general idea that it is time for us to establish branch banks is at least partly due to the fact that merchants find the extension of long-time credits more important in the new fields than the old. Distance is thus an important element, South America, South Africa, and the Far East being farther removed from us than those countries to which we have in the past sold. Then, again, the liberal terms which these countries have been granted make it necessary for merchants who have not a cash balance out of proportion to their business to have much financing on the part of banks. These two factors have, perhaps, confused the public mind, so that the purely financial part of the undertaking grows into a necessity for carrying the entire burden of foreign trade expansion.

Obstacles to Branch Banks

Now European branch banks have proved to be on the whole profitable investments to stockholders and of immense advantage to the extension of European trade, but in spite of the fact that the system of branch banking has been so long established and that there are so many other favorable factors which enter into European expansion of trade, there have been marked failures, heavy losses and liquidations. European experience is not of itself proof of the desirability of branch banking for this country at present.

Regardless of the experience of other nations there are certain obstacles which make our commercial banks, as a whole, hesitate before committing themselves to the policy of foreign branches. To the dangers of risk and expense may be added the further problems of getting local deposits, of the necessity for investing permanently in local enterprises, of overcoming the competition of strong, active established banks and the creating of a competent staff of bank officials out of a supply all too small.

Still another reason may be urged for our progressing very slowly in the establishment of our branch banks. Every country in the world has a port which is its commercial distributing center, and this city is usually the financial center also. New York has attained this position and will, of course, hold it. This superiority of New York in the volume of trade is in itself a serious consideration for other cities, and until such time as we are able to open domestic branches will, I believe, prove an almost overwhelming handicap to individual branches. It is in like manner an argument in favor of the joint-stock bank which combines the commercial needs of several localities. If we regard a branch bank as the final development in the trade relations between countries, the objections which I have just mentioned do not apply with as much force as if we considered a branch the first step.

Banks Do Not Insure Trade

A branch bank's greatest work is a guaranteeing of the permanent interest of our merchants and our banks in mutual trade relations. It must be remembered, however, that evidence on our part of a desire to establish and maintain trade relations is not sufficient. The trade of any country will go to the nations selling the best and the cheapest and in the form in which the goods are desired.

No amount of American capital nor the American banks can insure the permanency of a market. Our trade figures during the last year make it evident that we are today in the leading position of the world in regard to foreign trade, but we can hold this position only by the most careful and conservative methods. Much of our trade balance has resulted from an increase in the value of our exports. The port of Boston, for example, shows an increase during the last year in *value* of exports of sixty million dollars, but the clearances in the foreign trade for the same period increased 25 per cent. in net tonnage. In other words, the *volume* of trade from that port, which represents normal conditions perhaps as accurately as any other port, may be said to have only held its own. This increased value may very easily vanish over night when the war has ended. Prophecies as to conditions at that time are of little use, as they represent theories rather than facts, but it is safe to assume only that we shall have worthy competition in our foreign markets shortly after the termination of the war.

We have but to consider the fact that after the Napoleonic wars, which lasted many years longer than the present one will,

England staggered under a debt amounting to one-third of her total value and yet, within a few short years, she entered into one of her most prosperous commercial periods of expansion. Let us also remember that at the end of the Franco-Prussian war a huge indemnity was placed upon France, but economic conditions in the two countries were such that France undersold all others in Germany in certain lines, as the result of which part of the war indemnity was actually paid by the Germans themselves through the conquest of their domestic markets by France. England, during the present war, shows a decrease in her export trade of only 24 per cent., and this at a time when all her energies are being expended on the greatest struggle in her history.

The popular demand for American banks on the part of our manufacturers is evident, but the problems are very complex and varied. American bankers realize the demand and they are also keenly aware of the difficulties and dangers. They desire to extend their banking to various countries only on a firm and solid basis, and they hope never to be obliged to retire from a field where they have once established themselves. It would be unwise to base the extension of our banking facilities on our present position in the foreign trade field, and to expand our banking capital and credit on the faith alone of a continuation of this rather unusual position.

I believe that the average commercial bank should grow in the foreign field only through the successive stages of a foreign correspondent, a joint-stock bank and a branch bank, and that very few institutions can afford to omit either of the two preliminary stages.

THE CHAIRMAN: Gentlemen, a discussion of the subject of the extension of our foreign banking relations is now in order. In the suggestive paper to which we have just listened there are several points which I have no doubt will prove a source of thought to you. The time of any speaker is limited, you will notice by the program, to five minutes.

MR. NOEL: Rather than ask a question, Mr. Chairman, I would like to call attention to a positive fact which might perhaps be of interest.

As a publisher of newspapers in South America, in Lima, Peru, as the president of a corporation publishing three newspapers at one time before the war, as engaged in business in Latin America, having dealings with banks and papers, I wish to call

attention to the fact that the American business man will never get a fair square deal through a correspondent.

I have had questions of discounts and of paper, and I have had dealings with banks, not only in Peru and other countries—and let me tell you that my personal experience is that the banks are no exception to the rules that no matter how honest and honorable their intentions are human nature is the same all over the world; they look after their own interests first, and I consider it would be rather ingenuous to expect anything else.

Our people go down there and they are banqueted and treated at the club with all sorts of social courtesies, and then they go back and ask their competitors for information and ask them to give us a square deal, and it is the same way with collections and everything else.

As stated by Mr. Gonzales yesterday and the day before, the bankers look after their own collections first. We can get a limited service, we can get a fair service, a fair consideration, but we cannot have good and thorough consideration, Mr. Joy, from a special correspondent.

I quite approve of the plan of a joint bank. There are many splendid little banks in South America, for instance, that can be purchased or controlled; and, of course, there is a question of law that comes in there which I know nothing about. I have simply permitted myself to call attention to this fact, because it is a matter that has come under my personal observation and sometimes sad experience. (Applause.)

THE CHAIRMAN: Is there any further discussion, gentlemen? The time is passing rapidly. I know there are a number of men who can discuss this subject with very much profit to the members of the Conference.

If there is no further discussion, we will pass to the next item on our program, which is, "Present Foreign Exchange Conditions," and this subject will be discussed by Mr. David H. G. Penny, vice-president of the Irving National Bank, New York.

Present Foreign Exchange Conditions

By DAVID H. G. PENNY,

Vice-President Irving National Bank, New York

The United States is practically the only country today that is on a strictly gold basis and gold continues to pour in to an unwelcome extent.

Interest rates are falling in Scandinavian countries and Holland and yet the exchanges with these countries are climbing to unheard of figures and no one can say at what point they will stop, since these nations cannot obtain gold under any circumstances.

Bills of exchange on European countries are in reduced volume and are being handled in most cases on a very close margin of profit considering the unusual care in examining documents required by the circumstances.

We have a series of conditions which have never happened before and will probably never happen again within a millennium. The nearest approach to present English exchange conditions was about fifty years ago. Mr. George Clare writes in this connection in his excellent book on the A B C of the Foreign Exchanges, with reference to the crisis in England in 1866 following the suspension of Overend Gurney & Company—"For full three months there was a discount-margin of no less than 6 per cent. between London and Paris, and yet the exchange, instead of rising, fell as far as it was possible for it to fall. For full three months continental bankers could have bought the best London acceptances at a price which would have returned them 9 or 10 per cent., and yet, so low had our credit fallen that they preferred to employ their money at home at 3 or 4 per cent."

Proper War Risk Insurance

This is a question that gives much concern to banks representing foreign interests and these should be made to specify exactly what kind of war risk insurance they wish taken in respect to credits. The same applies to credits established abroad for local customers, although the risks in this connection are less than for exports.

Normal and Chaotic Conditions

In normal times a chronological chart showing the fluctuation of exchange between two financial centers, such as London and Paris, and the margin between the discount rates in the respective places will very closely follow each other. When the discount rate in London is higher than in Paris the price of London check will be dear in Paris and the price of Paris check will be correspondingly cheap in London.

But the chaotic conditions in Europe nullify ordinary considerations, as bankers must consider safety before profit. This is exemplified in the reports just received from Holland that bank-

ers in that country are looking to invest funds in this country, notwithstanding the fact that exchange in Holland on New York is at only $4\frac{1}{2}$ per cent. discount as against exchange on London at 8 per cent. discount, and, furthermore, interest rates are more favorable in the English capital.

The little country of dykes, which has played such an important part in the world's history for centuries, finds it profitable to carry important sums in English loans just as our own banks are doing, but thinks it is more proper to have a diversity of risks, particularly in these eventful times.

Necessity for Supporting Exchange

The chief concern of the great majority of bankers last year, as regards exchange conditions, was the effect of the various moratoria and to what extent outstanding bills would be paid. These measures are generally disposed of and the effects are shown to have been overestimated, thanks to the prompt and efficient steps taken by the Bank of England. Our concern now is to support exchange so that our best customers may continue buying from us.

We are getting a fair sample of what our neighbors in Brazil and Chile, besides other countries too numerous to mention, have to contend with in the way of exchange fluctuations.

There is no department of a modern bank offering such inducements for the safe and remunerative employment of funds as a well organized Foreign Department. A department of this kind generally enables the bank to carry a portion of its immediately available funds at better rates than are obtainable at home for loans repayable with equal facility and also permit investment at short time, say up to six months, such as in 90 days paper on South America and other distant points, drawn in dollars, on much better terms than domestic commercial paper.

"Dollar Basis"

The handling of a larger portion of our foreign transactions on a dollar basis enables smaller banks throughout the entire country to participate in foreign exchange business without having to maintain accounts abroad or to be constantly watching the fluctuations of exchange. Such banks do well in remitting their foreign bills through financial institutions in New York affording them the facility of cash advances or acceptances against cover of outstanding collections should they have unexpected use of the funds invested in the bills.

It is good business to pay the New York bank a slightly higher commission for handling the bills in consideration of the facility mentioned, even if never made use of, particularly as the business should support a good collection charge and still leave a satisfactory interest return.

The present rate of exchange in London for negotiating Australian bills at sight is 2 per cent. with a further $\frac{1}{2}$ per cent. for each 30 days currency. American banks can well afford to negotiate time bills on Australia and New Zealand on a better basis since they have the assurance that with regular quotations for dollars, there will be no loss of exchange.

Cable delays resulting from censorship tend to restrict arbitrage operations and most banks are preferring direct exchange. Indirect operations should not be attempted except upon a margin justifying the risk.

Quotations are published every day in the principal newspapers covering draft and cable transfers on Greece, Argentina and Brazil in the money of these countries.

Canadian Charges

The newest departure in direct exchange and the one probably most affecting trade in this country is the recent action of the New York Clearing House Committee in allowing member banks and trust companies full discretion in the matter of charges covering Canadian items.

Canadian checks and drafts were, for about seventeen years previous thereto, subject to exchange deduction of $\frac{1}{4}$ of 1 per cent. by New York Banking institutions.

An important Clearing House Bank with a large commercial clientèle is already dealing in Canadian funds through its foreign department and looks for lively trade in this direction.

The principal trading will, however, remain across the border for the singular rule that rates of exchange between one center and another are invariably made in the less important place. For example: The rate between Spain and London is made in Madrid and the rate between Canada and New York is made in Montreal. The Indian rate, which is the exception proving the rule, is made in London, but that important exchange is of such little interest here that space will not be taken up to explain it.

Extension of "Dollar Exchange"

Now is the opportune time to extend the negotiability of dollar exchange and bankers should spare no efforts to have it

quoted in every foreign market. One of the most recent announcements in this respect is the daily quoting by the Bank of New Zealand at its principal Australasian offices of checks and cable transfers in dollars on New York and on the principal American and Canadian cities.

The dollar draft was never better known than it is at present and yet a great deal of pioneer work is necessary before bankers can afford to rest.

In this connection, Commercial Attaché Henry D. Baker, Petrograd, writes under date of September 21st: "A prominent American traveler now in Petrograd took with him from New York a letter of credit made out in terms of American dollars and another letter of credit made out in terms of English pounds sterling. On his way here he had occasion to draw money in the Netherlands, Germany, Denmark and Sweden, and found that to local banks in these countries the dollar letter of credit was acceptable, as also to the banks in Petrograd. The letter of credit in pounds sterling was taken along chiefly as a precaution in case of any difficulty over the dollar letter of credit, but in all the countries visited en route it proved an unnecessary precaution." It is of course understood that the pound sterling letter of credit would be unavailable in Germany unless the German bank would consent to make payments and debit same to the current account of the American bank issuing the credit or forward the drafts to New York for collection.

The unfavorable result of the establishment of dollar exchange is that American bankers must step aside and allow rates of exchange to be fixed abroad and the relative profit to be absorbed by foreign bankers. On the other hand, the American banks will profit more largely from the employment of important balances kept with them by foreign banks and bankers for the operation of their exchange business with the United States and the commissions for accepting bills. The net result should be decidedly in favor of the American banks.

A very large proportion of the acceptance business in England was handled by private accepting firms and by the London agencies of Continental banks. This is due to the fact that the business was neglected by English banks in much the same way that the money order and traveler's check business was for many years neglected by American banks. Shippers are now generally insisting upon reimbursement credits exclusively upon London Clearing House banks.

It is not likely that the accepting business of this country will drift to any extent into private hands as the banks and trust companies are fully alive to their responsibility and opportunities.

Importance of International Financing

London is the financial center of the world only because she has been financing so much more trade between other countries and England. New York can only acquire that distinction when this country actually finances trade between other countries and when Americans participate in foreign enterprises and buy foreign securities to create a demand for bills of exchange on New York to liquidate indebtedness and pay interest on these foreign investments.

Credits have been opened for generations with London bankers covering goods shipped between the United States and countries in all parts of the world, in a large scale covering Cuban sugar practically all shipped to the United States. It may be expected that this business will be largely diverted either to bankers here or in the countries concerned with the possible exception of shipments between the United States and British possessions.

The acceptance of a bill of exchange by a New York bank for account of an American importer covering a shipment of currants from Patras to New York has not as far-reaching effect upon the American exchange position as the acceptance of a bill of exchange for equal amount on a New York bank for Greek account covering a shipment of coffee, either direct or indirect, from Brazil to Greece. This is explained by the fact that the first case simply creates a balance here in favor of the Greek bank, which it will probably use for the payment of grain or other merchandise for shipment to Greece, but may, however, transfer to another center, say London or Paris, but the second case must create an independent credit in favor of the Brazilian bank and at the same time establish a debit to the Greek bank, which the latter is obliged to eventually cover in one form or another. This covering process may involve several countries by the process of arbitrage.

Boston must be congratulated on what her banks have done and are doing for the cause. A prominent national bank in that city leads all others in respect to the amount of outstanding dollar acceptances.

It is well to bear in mind that every million dollars of exchange drawn in dollars covering transactions which were pre-

viously handled in pounds means \$2,000,000 toward the financial supremacy of New York.

THE CHAIRMAN: Gentlemen, the discussion of this subject is now in order.

CAPTAIN WHITE: Mr. Penny has stated that the United States is the only country on the gold basis. I think Mr. Penny would better say the United States is the only country on the gold exchange basis, because, as a matter of fact, the United States is not on a gold basis, strictly speaking. We have confidence that our government will redeem its promises, but its promises are outstanding to the amount of \$345,000,000 of floating debt redeemable at the United States sub-treasury in gold; but, in order to get that gold, it has sometimes been necessary for our government to go into the gold market and purchase it.

That is not altogether a reassuring condition. Our government changes every four years, and the policy of our government in that respect is liable to change, or to be affected by the influence of the majority of the party that is in power.

In addition to this \$345,000,000 of floating debt there is a circulation based upon the national debt, in round numbers amounting to about \$1,000,000,000.

Not all of this debt is used by the national banks for circulation, but all of it may be used up to its full face value.

It is true that in the last banking law that was passed steps were taken to reduce the volume of national bank circulation. That promised very favorably to us in regard to a step toward going to a strictly gold basis; but, unfortunately, in that same banking act there was a provision whereby the National Reserve banks must use the same government debt as a basis for circulation.

Then we have, in addition—just exactly how much I do not know, but probably \$600,000,000—that are represented today by silver certificates. True, those are acceptable as payment for customs dues, taxes, and so forth; and as long as they are so accepted you can go to any private bank and get gold for your silver certificates; but you cannot go to the United States sub-treasuries in the United States and get gold for your silver dollars, because one time when I was ordered abroad I tried to do it, and they said no, that they could not do it; that I could get the

silver dollar, but if I wanted a gold dollar I would have to go to the banks and they would give it to me.

Until this condition be changed, until we get back to a strictly gold basis, we are using an inflated currency, and all values in the United States are inflated values.

There are many of you who remember when we were on a paper basis; the paper dollar or the paper currency, the "shin-plasters," were the only things in evidence. Then we went from a paper currency, which at one time increased our gold dollar to about two dollars and a half—it would take two dollars and a half of greenbacks to get a gold dollar—suddenly, in a very short time, within two or three years, we were able to transfer our values from paper to gold. But, unfortunately, the redemption of the public debt for outstanding currency stopped, and the American people thought that it would be cheaper to lend itself \$345,000,000 rather than to pay its debts; and we have been suffering from that psychological act ever since. It is affecting our trade relations. It affects our labor prices in the United States, and is the basic defect in our inability to meet foreign competition. (Applause.)

THE CHAIRMAN: Do any other members desire to speak on this subject?

As there seems to be none we will proceed with the program, and the next paper is of quite equal importance with the one which we have just heard from Mr. Penny, and will be treated by an authority on the subject matter, Mr. Rovensky, who is the manager of the foreign exchange department of the National Bank of Commerce of this city, a bank which, as you all know, is very prominent in the foreign banking field.

I take pleasure in introducing Mr. Rovensky.

The Development of the American Discount Market and Its Relations to Foreign Trade

By JOHN E. ROVENSKY,

Vice-President of the National Bank of Commerce in New York

America is a land of wonderful natural resources. Nature during the past has rewarded man's efforts here with a lavish hand and it has not been necessary for us to be as economical in our commercial methods as are our competitors across the seas. Abroad where, in every line of human effort from that of the humblest workingman to that of the greatest merchant, profits

are steadily being reduced by competition until it seems that the irreducible minimum has been reached, it becomes a matter of vital importance that every penny of wastage be avoided. In our country man's labors have heretofore been most generously rewarded—comparatively virgin soils have annually given forth bountiful harvests—mines of untold wealth have been discovered—immense forests, the growth of centuries, have been inherited by us and even motive power has been furnished to us by nature in the form of numerous waterfalls.

Thus assisted by nature we were able to meet the keen competition of the European manufacturer and merchant and have scarcely felt the great handicap of the lack of such efficient credit and financial machinery as that possessed by the leading countries across the Atlantic. But times have been changing. Our population increased and natural resources decreased. From an agricultural nation we were rapidly developing into a manufacturing nation and the assistance in meeting foreign competition derived from nature was daily diminishing. Overproduction of manufactured goods caused us to seek markets abroad and there, not protected by our tariff as we are at home, we met the foreign competitor on an even footing—not always with success.

A subject of such complex nature as our foreign trade naturally presents innumerable problems and I shall, within the limited time at my disposal, confine myself to merely one phase of the matter—the retarding influence on our international commerce of the absence of "Dollar Exchange" in the world's financial markets.

Significance of Quotations in Foreign Currency

Have you ever realized the full significance of the fact that the bulk of both our exports and imports is bought and sold in terms of foreign currency? When we buy hides in London, the price is quoted in pounds sterling; when we buy chemicals in Germany, the price is quoted in marks, and even when we buy coffee in South America the price is not quoted in our own currency, but in sterling. On the other hand, when we sell our finished products in these same countries we are again obliged to quote prices in foreign currencies. This practice, though always disadvantageous, is not a serious handicap in the case of cash transactions, that is, sales that are paid for by cable transfer or sight draft. In such cases the American merchant is able to minimize the risk of loss on exchange by promptly negotiating his draft (or purchasing the exchange as the case may be) but in the

case of transactions where some time must elapse between the quoting of the price and the payment of the bill the American merchant is at a serious disadvantage if he is compelled to quote his prices in a foreign currency.

Let us take as an instance, the importation of coffee from Brazil, as the business was conducted prior to the outbreak of the present war. The American importer desiring to purchase the coffee was compelled by custom to make his bid in sterling and pay the coffee merchant by means of a sterling commercial letter of credit on a London bank. Under the terms of this letter of credit the Brazilian coffee merchant drew his drafts in pounds sterling for the value of his shipments at 90 days sight on a London bank. He was willing to accept reimbursement in this form because the 90 days London draft drawn under such letter of credit was readily taken by Brazilian banks as cash and he could calculate, at the time he sold his coffee, the value of a sterling draft so drawn within a very narrow margin. The Brazilian banks were willing to cash such drafts for their customers because by discounting them immediately in the London open discount market they could quickly convert them into cash funds and consequently the transaction involved no tie-up of funds or risk of loss on exchange.

The Brazilian merchant, however, was not willing prior to the passage of the Federal Reserve Act to accept a payment in the form of a three months draft drawn in dollars. Why? Because there being no open discount market in the United States either the Brazilian merchant or his banker would have been compelled to carry the bill in his portfolio until maturity, and this, involving the risk of exchange fluctuations and a lock-up of cash, was of course impracticable.

Effect on the Importer's Business

Now let us see what effect this had on the American importer's business. When cabling his bid for the coffee to the Brazilian merchant, he was compelled to *estimate what sterling exchange would cost him, approximately four months from the date of his cablegram*. This period was consumed by the time required for the Brazilian draft to reach London and the three months tenor of the bill. Therefore, if the American importer sent a quotation to Brazil for a consignment of coffee valued at £10,000 he did not know whether at the maturity of the 90 days draft drawn against such shipment he would be called upon to

pay \$48,900 or \$48,500. He was thus compelled to gamble on the course of the exchange market and if he overestimated the danger of exchange fluctuations his bid was not as good as that of his foreign competitor and he frequently lost the business, while if he under-estimated the exchange fluctuation he lost money.

Our exports and imports to numerous other countries suffered under the same disadvantage. Importers of hides from India, silk from Japan, wool from Australia, etc., did not know what their consignments would finally cost them when the time for payment arrived. They were compelled to guess at the actual cost of their raw materials and do business on the basis of average quotations.

Great Increase of Risk by War

When the war broke out, these risks were multiplied tenfold. The importer who was obligated to pay £10,000 four months from the date of his bid could not safely estimate within \$5,000 of what he would eventually be called upon to pay. Likewise the exporter could not estimate within 10 per cent. of what would probably be the proceeds of a foreign sale made on 90 days' time. When order once more began to emerge from chaos a large part of these difficulties disappeared, but American merchants had learned their lesson and we have since heard much talk about the desirability of doing business on the basis of "Dollar Exchange" and the "Dollar Bill."

Our efforts to introduce "Dollar Exchange" abroad have been to some extent successful; for instance, in South America and the Orient the "Dollar Bill" is steadily gaining in popularity. We must not deceive ourselves, however, with the idea that old customs can easily be overturned and the "Dollar Bill" introduced; it will take time and we must adopt measures that will place "Dollar Exchange" on an equal footing with sterling, franc and mark exchange. We must bear in mind that the European war is at present giving us a great advantage over our former competitors and that the introduction of "Dollar Exchange," gradual as it has been, would have been much slower but for the breakdown of Europe's financial mechanism.

"Dollar Exchange" without a "Dollar Discount Market" would be an impossibility. Unless time drafts on New York City can be promptly negotiated here at advantageous discount rates they will not be accepted by the bankers, and in turn by the merchants of foreign countries in payment of their goods. And if foreign

merchants who ship goods to us do not accept dollar drafts in payment there will be no market for "Dollar Exchange" in their city, and other foreign merchants who buy from us will also be unwilling to make their purchases in terms of dollars and cents. If foreign merchants are to do their buying from us and selling to us in terms of our currency, there must be an active market for "Dollar Exchange" in *their* city, otherwise they will be unable either to buy or sell dollar drafts at advantageous rates, and they will be unwilling to assume the risks of loss on exchange due to a limited and inactive market. If international commerce was transacted on a cash basis, the existence of a discount market here and the resultant "Dollar Exchange" markets abroad would not be so important, but as the greater part of such trade is financed by means of time drafts there must be an active "Dollar Discount Market" to enable foreign merchants to promptly realize on their "Dollar Drafts."

This brings us to the question, "What is the present status of the American Discount Market, and what are the prospects of its development?"

The World's Standard Credit Instrument

Prior to the enactment of the Federal Reserve Act national banks were prohibited from accepting time drafts. As a result, bank acceptances—the standard credit instrument of the world—were unknown in this country. In every branch of trade a large and active market in a commodity is impossible unless well defined standards of quality are established. It would be impossible to have a cotton exchange unless grades of cotton were standardized. It would be impossible to have a wheat market if wheat was sold in a mixed mass consisting of all the various grades. The business could be conducted only in the form of individual transactions subject to negotiation in each case. It is the same with a discount market—we must have a standard on which rates are based.

The world over the standard credit instrument is the "Bank Acceptance." Being the direct obligation of a prime bank the element of risk is eliminated, and only the value of the use of the funds during the tenor of the bills needs to be considered in fixing the rate of discount. It is, therefore, an accurate barometer of the value of money. The London discount market quotes a certain rate for 60 and 90 days bills, *i.e.*, prime bank acceptances. The rate for such bills fixes the level of the market, and without

such bills the London discount market would not be the world's central money market.

Barely one year has elapsed since the Federal Reserve Act, which permits national banks to accept time drafts, became effective, and during this brief period the banks of this country have diligently endeavored to introduce the American bank acceptance on the markets of the world. As I have stated before, we were assisted greatly by the breakdown of Europe's financial machinery. Had Europe's discount markets continued their usual course without interruption it probably would have taken years for us to induce Oriental merchants to take dollar letters of credit in payment for their merchandise, and Brazilian growers to take dollar credits for their coffee.

We have developed in this short time an active market in this city for prime bank acceptances, and rates ranging as low as 2 per cent. are quoted for such bills to-day. Of course, the main reason for the present low rate of discount is the over-supply of funds at this center, but bank acceptances will always command a comparatively low rate, as they are the most attractive form of short-term investment that a banker can find, and they are the best form of secondary reserve. As a certain foreign banker once said: "Investing in acceptances enables the banker to eat his cake and have it, too." An investment in an "acceptance" brings the banker an interest return, and at the same time it is almost as available as cash, as it can instantly be turned into currency by being sold in the open market.

Dollar Exchange in South America

These low discount rates are making the "Dollar Bill" become more popular abroad—especially in South America. Its popularity has been materially assisted by the willingness on the part of American bankers to quote rates for such bills "to arrive," *e.g.* if a Valparaiso banker is offered by his depositor a 90 days' sight draft on New York he can cable his New York correspondents and obtain from them the rate at which they will discount the bill *on its arrival in New York City*. He is thus able to immediately calculate the exact proceeds that will be credited to his account, and use the bill as though it was an ordinary bank check on New York City. Many New York bankers are also quoting foreign exchange rates "to arrive" against such remittances. If, for instance, a Valparaiso banker has received from his depositor a 90 days' sight draft on New York, and not being in need of New

York exchange would prefer to convert the proceeds into exchange on London, he can cable his New York correspondents and they will quote him both the rate at which they will discount the draft on its arrival in New York and also the rate of exchange at which they will then remit the proceeds to London. The Valparaiso banker is thus enabled, at the very moment when he purchases the "Dollar Draft," to calculate the exact equivalent of sterling he will ultimately receive in payment. As a result of the development of the American discount market in New York City, and the spirit of coöperation shown by our bankers, we have made in one year as much progress in introducing the "Dollar Bill" in South America as Germany made in ten or fifteen years of attempting to introduce mark exchange there.

It is impossible to estimate with any degree of accuracy the rate of progress in this direction that will be maintained in the future. The conditions, with reference to "Dollar Exchange," are different in each foreign country, and it would be impossible to cover the ground within the time at my disposal. In the case of South America it must be remembered that if the "Dollar Bill" is to maintain, after the close of the war, its present rate of progress, we must not only maintain an American discount market, with interest rates comparing favorably with those quoted in Europe, but we must also develop reciprocal commercial relations. By reciprocal relations I mean that we must be prepared not only to sell to these countries but also to buy from them. It seems to me that most American merchants look upon South America only as a field in which sales may be made. It is perfectly obvious, however, that if "Dollar Exchange" is to be active in the various South American financial markets there must in each market be sales of such exchange as well as purchases. It is the "one-sidedness" of the "Dollar Exchange" market in such countries as Chile that makes it necessary for American bankers to quote sterling exchange rates "to arrive" to Valparaiso bankers. The Chilean bankers have "Dollar Exchange" offered to them by their clients, but cannot find sufficient purchasers for it, and they are, therefore, compelled to convert it into other currency for which they have greater demand. Of course, our trade with some countries will always be more or less one-sided, on account of economic conditions prevailing there, but to a large extent the present "one-sidedness" of trade must be remedied if "Dollar Exchange" is to become permanently popular in the Southern continent.

While I realize the difficulties of the task before us I feel confident that the growing financial power of these great United States, the perfection of our banking system, and, eventually, an American merchant marine, will cause "Dollar Exchange" to steadily forge to the front in the world's markets, and in time the heavy burden now resting upon our foreign commerce in the form of risks of exchange will be greatly reduced through our being able to buy and sell a large part of our merchandise in terms of dollars and cents.

THE CHAIRMAN: Gentlemen, we will now have a discussion on this very important and interesting topic for a few moments. Discussion is now in order.

The Conference, so far, seems to be more in the mood of absorption than of expansion, and it certainly has been very profitable to have the papers that we have had this morning.

There does not seem to be a desire for a further discussion at this time, and we will, therefore, take a recess until two o'clock.

(Whereupon, at 12:35 P.M., a recess was taken to 2 P.M.)

SEVENTH SESSION

Wednesday Afternoon, December 8, 1915

(The session was called to order at 2:00 P.M., Mr. William McCarroll in the chair.)

THE CHAIRMAN: The gentleman who will now address us comes from a country of exceeding interest, where there are said to be more races of people and more diversities of religious belief than in any other country in the world; he comes from one of the most distinguished but least numerous—the Parsees.

I have very great pleasure in introducing to you Mr. N. M. Marshall, who is among the leaders of his people in the commercial life of India. Mr. Marshall will now address you. (Applause.)

India

By NUSSEERWANJEE MANECKSHAW MARSHALL,

M.Soc.I.E., M.I.A.E.

Merchant of Bombay, London and New York.

Mr. Chairman and gentlemen of the Conference: I am standing before you as representing India, a land of great historic

antiquity, rich in its spiritual and moral values. The material side of her civilization, though subordinated to the spiritual, is none the less active. The commercial activity of the ancient Indians played a large part in the spread of Indian civilization in the lands bordering the Arabian ocean and the Indian Archipelago. The early industrialization of India is so well known that it hardly needs to be mentioned. Unfortunately, however, the early rise of Indian manufactures was followed by its early destruction, by causes natural and otherwise. Competition between manual labor and machinery resulted in victory for the latter, and today the industrial life of the Indian people is nothing more than "the short and simple annals of the poor."

For a while things looked pretty somber to the Hindu folks, but, as you know, it is darkness before dawn. Today the prospect is bright and promising. The British, though sometimes unwise in their economic policy, have provided internal peace and external protection, and the alert modern Indian knows thoroughly well that things which do bake our bread are to be attended to first.

But there are things in this world that can't thrive without their counterparts, and commerce is one of them. Reciprocity is its soul. From time immemorial nations have competed for the Indian trade—the Portuguese, Dutch, French and English, not to speak of the Babylonians, Greeks and Romans. The Germans, not having a colonial empire, have a relatively bigger commercial empire, if I may use that term.

India an Open Market

The Americans, I am sorry to say, do not display much activity along this line. Given a large dominion with unbounded natural resources the average American is confined in his commercial activity to the borders of the American continent. This is natural, but it is not wise. Freight is a factor in trade by no means less important than economy. In my opinion trade has two counterparts, producing and selling, and the latter overshadows the former in its importance. To sell is to search for suitable markets and, let me ask you, gentlemen, where is the market in the world so easy and so vast as that of India with its teeming millions? Nowhere will you find a market kept on a more free trade basis than that of India. Hardly will you meet with any competition from home products, for there are none. With the internal railways you can send your goods into the innermost re-

cesses of the Indian territory. India invites you to trade, and I assure you the profit is all yours. But prosperous trade presupposes many facilities, and the want thereof as you all know will seriously hamper commercial progress unless timely effort is made to remove them.

I was laboring under many inconveniences in my business of exporting from this country to India, and, until this opportunity was offered me by your Association, found no way of voicing my troubles, and so, therefore, consider myself fortunate in being invited to this Conference, and in being given an opportunity to lay before you the difficulties that come in the way of sending goods from American ports to the ports of India. Besides laying before you these difficulties, I wish to touch upon the most important point, namely, the opportunities for investing American capital in the development of India.

The Empire of British India is one of the very few large countries of the world where there is an "open door" for the trade of all countries. Small tariff duties are levied for revenue purposes and not for protection of Indian industries, and these low duties apply to goods from all countries including the mother-country, England, so that India is a country where the United States and all other lands have equal rights of doing business without tariff obstacles.

The requirements of the people of India have long been studied by German and Japanese concerns and the former was and latter is now doing business on an elaborate scale.

I may here mention a few statistics which will give some idea of the business possibilities of British India.

Value and Sources of Imports

Total imports from the United Kingdom, three hundred eighty-one million dollars; from Germany, forty-one million and from the United States only fifteen million dollars, of which nearly half represents petroleum.

Imports from the United Kingdom of piece goods, one hundred eighty-two million dollars; from Germany, four million five hundred ninety-six thousand dollars; from the United States, eight hundred forty-two thousand dollars only, and from Japan, two million seven hundred five thousand dollars.

Imports from the United Kingdom of hardware and cutlery, seven million seven hundred and two thousand dollars; from Germany, two million seven hundred and forty-seven thousand dollars; from the United States, nine hundred and sixty-five thou-

sand dollars only, and from Japan one hundred and fifty-six thousand dollars.

Imports of machinery from the United Kingdom, twenty-two million five hundred and seventy-three thousand dollars; from Germany one million four hundred and one thousand dollars, and from the United States eight hundred and eighteen thousand dollars only.

Imports of other articles from the United Kingdom, twenty-one million one hundred and seventy-seven dollars; from Germany, five million seven hundred and seventy-seven dollars, from the United States, three million six hundred and ninety-eight thousand dollars, and from Japan, four million two hundred and forty-one thousand dollars.

In the year 1913-14 the United States controlled only two and six-tenths per cent. of the trade of British India, while Germany controlled six and nine-tenths, and the United Kingdom sixty-four and one-tenth.

The only reason for the United States being backward in trade compared to Germany is that Germany has constantly studied the various requirements of the people and has taken considerable trouble to establish its business permanently by sacrificing immediate profits and giving many concessions to gain trade.

Indians have no sentimental preference against or for goods of any particular country. Generally speaking, price conditions, not sentiment, are the predominating factors of trade. The main thing to be taken into consideration with most articles purchased by the masses of the people is a question of not how good but how cheap.

Want of Direct Shipping Facilities

The fundamental basis of a successful foreign trade is the provision of an adequate merchant marine and direct scheduled service between the countries concerned. Such a provision eliminates the middleman, who is the sole cause of reducing profits for the manufacturer and increasing prices to the consumer. The middleman is thus the evil of the two, and attempts are being made, as much as is practicable, to eliminate him in every branch of trade. But so far as my own knowledge and information go, no attempt seems to have been made to remove the middleman who stands in the way of this country's export trade to my country. In the first place, until very recent times there was no direct marine merchant service from this country to India. American

goods were shipped to Liverpool in American bottoms, whence they were re-shipped to India in English vessels. Very often the cargo was sent direct in English steamers. In any case the consumers of American goods in India had to pay for the services of the intermediary. This had a bad influence upon the market for American goods in India.

The standard of living in this country is very high, the wages are equally high and the distance to be covered is sometimes very great before goods reach the port of shipment. All these conditions tend to increase the prices of American goods in India's markets, and when the profits of the middleman are added to this increment the goods cease to be within the reach of an Indian purchaser. As a general rule the Indian buyer is a poor man. Besides, the markets of India are thrown open freely to the whole outside world, and thus he who can afford to sell his goods cheapest gets control of the markets. The result of all this is that American goods have ceased to gain their proper share of the Indian market.

I am aware that since the outbreak of the European war some arrangements have been made to minimize this evil, but still, considering the vast scope for American goods in our markets, there remains much to be done. I hope you will give your careful consideration to the matter, and if possible persuade your national government to take steps to remove these obstacles.

Exorbitant Freight Rates

In connection with the shipping question, I would like to direct your attention to the freight rates, which are invariably exorbitant. I think this is due to want of direct merchant service. Even if such a service were established, and the ships sailed under the American flag, the freight rates are likely to be higher, owing to the higher rate of wages in this country. If, then, the goods are to be brought within the reach of an Indian purchaser the manufacturer will have to be satisfied, for some time at least, with a smaller rate of profit. If this can be done, then I think freight rates will not greatly affect the prices of the goods.

In the same way the rates of war and marine insurance are heavy. The former are due to the abnormal conditions, no doubt, but the latter deserves some attention.

Credit the Basis of Foreign Trade

Then I would like to bring to your notice the real basic principle of foreign trade. You all know that in the international trade direct money payments are scarcely ever made. The ac-

counts on both sides are settled in goods. The imports of one country are paid for by the exports of that country. Accounts are settled and set off through the banking houses of the different countries. This arrangement presupposes business on a great scale and with men of settled reputation. But when trade is to be developed with a new country and a new people there must be made some allowance from such an established practice. When a man from India comes to this country and tries to do export business his great difficulty is to get credit with the American banks. Even with the best and most reliable testimonials he is not always accommodated. He is expected to do business in hard cash. Now, you can imagine the hardships and the paucity of business under such circumstances.

Packing Goods

In the majority of cases I have found that the American way of packing does not meet with the desires of Indian merchants. The reasons are many. The packing originally may have been good but impaired during course of transit. The distance to be covered is many thousand of miles, the packages have to pass through many changes of climates, and many similar things. Such things ought to be investigated before settling the nature of the packing.

So far I have laid before you a few difficulties that have forced themselves upon my mind. There are other minor details which would take too much of your valuable time. I will finish my paper by pointing out to you a few fields of American investment in my country.

Agricultural Implements and Machinery

You all know that India is the granary of the Orient and has been the main source of food for many of the European countries since sailing and steam vessels began to carry on international trade. The main industry of India is at present agriculture. India's farmer is no less eager to take out of his mother land than is his American brother. He is no longer satisfied with his crude implements. He is desirous of using the modern labor-saving mechanical devices and scientific manures. America is the leading country in the manufacture of these two. American iron ploughs are used far and wide on Russian, Egyptian, Siberian, European and, to some extent, on Indian farms. But to my mind our farmers do not know all about the numerous American devices. It is necessary to acquaint them with all of these and for

this purpose I think it would be better if small museums of American agricultural implements were established in different parts of India where there are American consulates. This would be a great advertisement, because whosoever desires to know of any new devices might go to the nearest American museum and see them with his own eyes. Very often paper advertisements do not satisfactorily force themselves upon the attention of people in general and farmers in particular. The same may be said with regard to markets for hardware and other iron goods and machinery.

Opening for Banking Business

India is a vast country. In area it is nearly equal to this country. It is rich in natural resources, in flora and fauna, in minerals and geological formations. All these resources have not been exploited as yet. To do this requires expert labor, capital and organization. After the outbreak of the European war the Department of Commerce at Washington sent its experts to Latin America to investigate the opportunities for American investments. Organizations seem to have been formed to invest capital in Russia, but no attempt is made to see if there is any field in the Indian peninsula.

Gentlemen, you will please excuse me, if here I say that the knowledge about India is very meagre in this country. I think if the sources for investment and business conditions in India were carefully investigated you would find ample opportunities for business. Particularly I think that there is a great need for banking facilities in my country. You did not accept the principles of a branch banking system till very recently, and now you find that your present system of the Federal Reserve banks has proved most useful in mobilizing the country's capital for its financial needs. So if you establish a central bank with several branches in my country both your countrymen as well as mine will be benefited. This would help to reduce the rate of exchange between the American dollar and the Indian rupee, and such a reduction in exchange means a great stimulus to trade.

The mutual advantages that we are likely to reap from such a trade relationship though apparently material can hardly be estimated in terms of coin. Commerce in my opinion is the greatest socializing influence (I was about to say institution) that mankind has ever brought into play. Like all things that constitute a common cycle of participation it becomes charged with

emotional values which in their turn create mutual sympathy and self-respect and mutual understanding. Commerce is regarded as the cause of war, but in my opinion there is no other panacea for war than commerce itself. When the sympathizing side of commerce shall keep in control the pecuniary logic thereof we may rest assured that we shall have few wars and as business men can proudly claim a share in that consummation so devoutly to be wished.

THE CHAIRMAN: We have been engaged in this Conference in considering the wide and broad features of commercial affairs.

We now turn to a somewhat different branch, one perhaps no less important than some of the others, what might perhaps be called the romance of business—not that I mean that there is any romance in advertising, but this subject will be treated by one who is recognized as an expert in advertising methods and in making goods known throughout the markets of the world.

I have great pleasure in introducing Mr. Hugh M. Kahler, of New York.

Advertising in Foreign Trade

By HUGH M. KAHLER.

MR. KAHLER: Mr. Chairman and gentlemen of the International Trade Conference: Advertising falls more or less naturally into two great divisions: the advertising that you buy and pay for, and the advertising that no money can buy—that has got to be earned.

The main difference between advertising as we know it here at home and advertising as we see it in foreign trade lies right there. Foreign advertising falls principally into the second division—advertising that has got to be earned.

Here in America we have reduced advertising to a finer degree of art and science than you will find anywhere else on earth, even in the most advanced European countries, where, in this respect, you will find the existing machinery, the existing mechanism, far short of that which we use here in our daily business. The papers are not so good; their advertising science has not been reduced to that degree of precision that we have here at home, as a matter of course. In fact, when you begin to talk export advertising, or, rather, advertising in foreign trade, to most people, they will ask you if such a thing exists, because they are thinking, as most people do think, of printer's ink ad-

vertising, of pages in newspapers and magazines, of painted walls and street car cards, of electric signs against the night.

Honesty of Goods and Prices the Best Advertisement

I think advertising in foreign trade is much more necessarily a matter of good will, as we call it here. It is the advertising that is combined of honest goods and honest prices, honest dealing over a term of years. You cannot buy that advertising by bringing a check into a publication office, or listening to the solicitation of a gentlemanly young man who presents an engraved card to your office boy. You have got to earn it by years and years of honest goods, honest prices, honest dealings and something more than that—courteous dealings.

I do not say that that is an infallible kind of advertising, but I do say that no foreign campaign of any sort ever succeeded without it; and the same goes just as strong for any domestic campaign.

I was not asked here to discuss that, however. That is a basic principle of business. Everybody knows that if a man's goods are not right, and his prices are not right, and his methods are not right, he cannot hope for any large degree of success anywhere. That is just as true in domestic trade as it is in foreign trade. I am just calling attention to it here because most people think that there is no such thing as foreign advertising; that foreign trade contradicts the law which we know is true at home, that no business succeeds unless it is advertised in one form or another.

I suppose you want to hear something from me as a practical dealer in printer's ink, as applied to foreign trade, and the ways and means that should be adopted in order to get the best value, dollar for dollar, out of that kind of work.

If I were called upon to frame a campaign of advertising in the foreign field for any particular business I would proceed somewhat along these lines—possibly that is the best way for me to place my views and what little I know about this subject before you in concrete form, so that if there is anything of value in it you can get it.

Selection of the Field for Advertising

First of all I would try and select the field which promised the best returns. As things stand now it would not be difficult, because in probably ninety-nine businesses out of a hundred, you have got to look somewhere in the Western hemisphere and

somewhere south of the equator for it. But that varies, of course, with the different products. It may be that your market lies elsewhere. Anyway, before I spent a dollar, or before I thought of spending a dollar, I would try to find a place where my goods were most likely to find public favor; and before I spent a dollar in any place I should want to be pretty strongly intrenched in the field. I do not mean, now, to include in export advertising the kind of advertising you buy from the export trade journals. I am talking, now, about advertising as we understand it here: advertising directed toward the consumer of the merchandise, direct advertising toward the person who is going to buy the goods and use them.

Before you can possibly cash in on foreign advertising, or, for that matter, advertising anywhere on earth, you have got to have the goods where the consumer can buy them with the least possible resistance; and unless a man is in that position and can do that he had better stay away from advertising altogether and save his money, because he will lose it if he does not.

The Selection of a Trade Name

Supposing, however, that a house is in that position, that it has its goods on sale, or at least has its goods where they can be easily and quickly placed on sale in response to a created demand for them, the next proposition that would occur to me would be the name under which those goods were to be sold.

It is easy to take the fact for granted that because a name has been successful and is well known here in the United States it must necessarily be equally successful somewhere else. That is a fallacy. It sometimes follows that that is so, but not always, by any means.

Take the name "Pianola." It would be hard to beat that in any language in the world. Take the name "President" as applied to suspenders, and it is pretty nearly one hundred per cent. efficient. The name "Victor," which we find on typewriters and phonographs and a number of other American products is equally good.

There are, however, names, and any number of them, which are absolutely unfitted for one foreign field or another, and there are some which are unfitted for all.

I recall a case—as a matter of fact, it is not a matter of memory, because it is still in course of operation—in which a very successful American house is spending quite a lot of money

trying to persuade the Spanish-American public to ask for a certain brand of pills under the name "Williams." Anybody who knows Spanish knows that "Williams" is an impossible name for the Spanish palate. They cannot say it. When you ask a man to go into a drug store and say: "I don't want pink pills; I want Dr. Williams' pink pills," you are asking him to do an impossible thing, under the circumstances I have mentioned, and you are wasting your money. It would be a great deal better to discard the ancient and honorable name of "Williams" and rechristen those pills, for that particular market, with a name that the people could pronounce without difficulty, if you ask them to say it.

Another thing: Take the case of the Reo motor car. The name "Reo" means nothing in English. It is an obvious combination of the initials of Mr. R. E. Olds, an engineer and inventor well and favorably known here, as is the car which goes under his name. When you take that car to the Spanish-American market you are asking your prospect to buy a car named "Murderer," "Criminal," "Assassin." I do not think the association is a favorable proposition. There is a little jest there which helps to advertise it, possibly, after the habit of our well-known peace advocate (laughter), but I do not think it helps much. I would find out that my name was pronounceable, and that it had no secondary significance.

Let me state another case to you, for a moment. I had a prospective client once who told me that there was nothing in foreign advertising; that he knew it, because he had tried it; because he had spent, I think it was, \$6,000 in Argentina trying to popularize a line of toilet goods under a trade name compounded of his initials, which, unfortunately, constituted a simply breath-taking obscenity in Spanish. It was awful! I do not see how the papers dared to print it. (Laughter.) He did not know any better, and the translator, with his eyes on the fifty cents a hundred words that he was going to get, kept still; because, of course, he hired a waiter, or somebody of that kind, to do his translation. (Laughter.)

Those are errors which, let us suppose, a man who knows anything about export would foresee in advance; but all those were people who were more or less successful exporters. That is the funny part of it. You would think they would be wise to that sort of thing before spending their money; but they were not. Perhaps you will not be.

Having hit on a good field, where I believed there was likely to be a demand for my goods, and having selected a name that was harmonious, so far as possible, with the conditions of the language and speech that existed in that field, I would go a little further.

Selection of Advertising Mediums

I think the next thing to do would be to write down to the government at Washington, the Superintendent of Documents, and send him a quarter for a copy of a very interesting little book—I think the title is “Foreign Publications for Advertising American Goods.” It is No. 10, Miscellaneous Series, anyway. That will get it. That is a book compiled by consuls all over the world, and gives you, at a glance, the name, frequency of issue, roughly the nature and size of page, the advertising and subscription rates and the amount of circulation claimed by practically all of the publications in nearly every country of the world. There are a few unimportant cities not included in it; but, so far as the book goes, it is a most amazingly comprehensive guide to foreign publications. I do not think an export desk should be without it, even if a man never contemplates doing any foreign advertising.

That much accomplished, I should look over the papers listed in my field, and write to my agents to find out which of them promised best.

If I did not have agents down there, I should write to the consul and ask his advice about it. It is a simple proposition; there is nothing revolutionary or startling about it; but that is what I should do.

Having selected my publications, I should be up against the problem of copy and illustrations.

The Importance of the Translator

Here is one thing I would not do: I would not turn American copy, even if prepared by the most expensive of American agents, over to a waiter or ex-blacksmith to be translated into the language of the country I was going to run it in, as a good many people have done.

Possibly a little illustration there might help. There was a firm here—I think it has been five or six years ago now—a certain company manufactured a very popular soft drink. The head of the house listened to the export expert, and decided that he wanted to go after foreign trade, and that Cuba was the terri-

tory he would hit first. He had the good fortune to be connected with a very reputable and highly efficient American advertising agency. He also had the fortune to be acquainted with one or two drug exporters here in New York, who told him they could place the goods on sale with a good many Cuban druggists just as soon as there was a demand for it.

He did not stop to think that most of the druggists down there do not sell soft drinks, in Cuba. Anyway, he made arrangements with those drug importers that certain correspondents of theirs in Havana would accept consignments of his goods, advance freight and charges and fill the orders as they came in, on practically a consignment basis; subject, however, to the condition that he was to do a fixed amount of advertising in Cuba, the newspapers being specified. He told his agency to prepare to place a campaign of advertising in these newspapers.

Cuba is not very far away from here, and in the course of time he shipped the goods, showing to the exporters in New York that he had contracted for this amount of advertising, and in due time he paid the bills; but that was all that happened, until he began to get complaints from his Cuban correspondents asking why there had been no advertising done. He insisted that he had attended to the advertising and that it had been done, and they denied it; said that they had never seen a line of it.

He discovered then that Cuba was only a day or two away from here, and he thereupon got on a train and went to Key West and from there across to Havana to investigate the thing in person.

When he called upon the importer in Havana, the man said, after several uncomplimentary remarks concerning the exporter's veracity, that there had been no advertising.

To settle the case, they went around to the office of the newspaper and looked up the files, and it was only a second or two before the man spotted a familiar electrotpe and said: "There are my ads."

The other man burst out laughing. He said: "So, you are the 'wine of ginger' people, are you? We have been trying to find out who makes that stuff for months. There is no address given in the 'ad,' you notice. We have gone around to the papers and all they can tell us is that the stuff is made somewhere in the United States; that they got the order from an advertising agent. We wrote up to the advertising agent and he says he never heard of it."

Subsequent investigation proved that the advertising agency, quite innocently, had employed a cheap translator who, anxious to earn the money, had translated the name of the product—which suppose we call “Peerless Ginger Ale”—and had made it “Unrivalled Wine of Ginger.” (Laughter.)

That is how foreign advertising gets its black eye. Nearly every time you run down such a case you find that it is directly due to defective, ignorant or poorly executed translations. When it is not due to them it is due to some ridiculous misunderstanding of the conditions in the country.

I remember Mr. Vedder’s historical incident of the man who advertised gas engines in Brazil with the pleasing information that they were positively warranted not to freeze. (Laughter.) I think Mr. Vedder went on to say that the climate of Brazil made the hens lay hard-boiled eggs the whole year round.

Adaptability to People and Territory

To get back to the subject: Having avoided the grosser errors in the preparation of the advertising copy I would try to make the description fit the particular people and the particular territory where the article was to be sold. I would pick out the talking point which would fit the territory. I would not libel a perfectly good gas engine which was going to be advertised for the purpose of selling it in Brazil by saying that it was warranted not to freeze; but I would say something else that might interest the Brazilians—that it was light, that it would stand up in a hot, moist climate, that it was simple and could not get out of order, and so on.

Then I think I should hire a pretty able man to translate that advertisement for me, or, better still, to originate it in Portuguese, Spanish or French, or whatever the language in question might be, instead of trying to economize in that direction.

I want to say that in all foreign advertising—and remember that advertising includes letters, catalogues and pretty nearly every form of printed matter that a firm issues—in all foreign advertising, translation economy is about the poorest and most expensive economy known to science.

I have seen more expensive campaigns go to waste because they tried to save a few dollars in the matter of translation than for any other single cause.

The Buying of Space

Then you would have to buy space. I can give you, in ten words, a very good rule for handling foreign advertising, and

that is to hire somebody who knows. That is far and away the best plan of meeting this problem, like many others. Unfortunately, not all of us can hire people who know, and we can not be sure that they do know when we have hired them. I am trying to attack that question by laying down a practical platform on which a man could care for his advertising himself without necessarily fatal results.

Buying space in most foreign countries—I think I am justified in saying “most”—is still a matter of bargaining. It depends upon how much you want to pay, and how badly the publisher needs your business, rather than on a determined and invariable rate card, as in this country. It is essentially a matter for an expert. I have been at it for something like ten years now, and every now and then I call myself a fool because I have paid a rate which I am able to shade. Unless you are a pretty able buyer you are going to pay more for your foreign advertising than you ought to pay.

There is a point in connection with that which is worth remembering, and that is that only in the United States has the publishing business been carried to a point at which advertising is the “tail that wags the dog.” Here we are accustomed to make the reader a present of the publication; that is, to charge him so little in comparison with what the publication costs that it practically costs him nothing, and to charge up the whole cost of the periodical to the advertiser. Originally, of course, advertising was purely a by-product, and was sold as such; and in many foreign countries, particularly in Latin America, that is still the case. The subscription rates are high, and a good many publications would subsist without advertising.

Dollar for dollar I think you get better value for your money in advertising, if you buy wisely, in Latin America than anywhere else on earth. Still, buying is always ticklish business unless you know your ground.

Register the Trade Mark

That is about as far as the campaign needs to go. I ought to say, though, that after I had picked out the foreign trade name and made sure that it did not shock anybody’s sensibilities I should register it. I cannot forget the case of the American typewriter concern which spent \$6,000 in the city of Buenos Aires to make its new name popular, and then paid \$10,000 to the trade-mark pirate who had registered the name before they got around to it.

I think, before spending any money in making that name popular, I would see that nobody could steal it as soon as it got worth selling.

I have no particular patience with that form of export delusion which holds that as soon as business crosses a frontier it undergoes some mysterious chemical change. In fact, I dislike the word "export" and the word "foreign" in connection with business; because you know and I know that business is just business everywhere the sun shines. It differs in surface details, but it obeys the same basic laws everywhere, and that is nowhere truer than in advertising.

You could not possibly make a campaign pay here in the United States, with the best agents, all the money you wanted, the very best publication in the world, unless you know your prospect, unless you know the conditions under which that prospect lives and moves and thinks; unless you practically are one of the people you are trying to sell.

When a man tries to sell the Argentinian his goods without knowing the first thing about the Argentinian's prejudices, or the conditions under which he lives, he is simply inviting disaster, and he generally gets it. You have got to know your prospect before you can make advertising pay. It is a matter of probably the most intimate kind of business knowledge; it involves a closer acquaintance with the prospect than any other commercial transaction.

If a man is not willing to acquaint himself with his field, with the people in it and the way they live and their institutions and habits and speech, he had better stay away from advertising that costs money. Of course he cannot do business anyway without using the kind of advertising that does not cost money, that he cannot buy by the square mile or by the yard or by the thousand circulars, but that has to be earned by honesty and justice in dealing over a course of years.

Live Up to the Claims of Your Advertising

I want to emphasize that point again. I have seen a good many expensive advertising campaigns going to waste because somebody saved a dollar on a claim; because somebody said: "Oh, he is only a foreigner; he is far away. He will never sue us; he is probably a crook, anyway. We won't allow him that breakage claim"—after a man had proved, in the course of years that he was an honest, reputable business man.

The best kind of advertising, after all, is the kind of advertising that grows out of deeds. I tell you it talks a whole lot louder than the most eloquent words.

Anybody here who has ever tried to buy goods abroad—not to sell them, but to buy them—knows how hard it is to get them without putting up the money before he ever sees the goods. Even when he is dealing with Europe, that region of fabulously intelligent exporters, according to what we are told, he will come pretty close to parting with his money before he gets his goods.

You are asking the foreigner to trust you a whole lot more than you trust him, every day; I do not care how liberal your policy is. Even if you give him credit, he is counting on your honesty, your honor, your probity, for something more than money, for his ability to fulfill his contracts, for his own business reputation, which is just as precious to him as yours is to you. If you were trusting a man, not with goods but with real money, if you were trusting that man with your business reputation, with your reputation for fulfilling your contracts, you would be a lot more apt to judge him by what he did than by what he said, particularly if what he did contradicted what he said. If there was a contradiction there I know which you would believe, and which I would believe, and which any sensible human being would believe.

If you are going to influence your foreign customer by advertising you have got to make the printed word only emphasize, only strengthen the impression already created in his mind by your deeds.

I thank you, gentlemen. (Applause.)

THE CHAIRMAN: I presume, gentlemen, that when you have occasion to bring anything connected with our business to the attention of the government you are usually brought more in contact with the Department of Commerce. But back of the Department of Commerce, at the foundation of the Department of Commerce, and all the other departments of governmental efficiency, is the great Department of State. By that department treaties must be conducted. The way must be opened by the State Department for the commercial relations, as well as all other relations of the people of this country with other countries.

The concern of the national administration in the progress and development of our commerce abroad—because, as the last

speaker said, I prefer to use the word "abroad" rather than the word "foreign"—its concern in our commerce abroad is evidenced by the presence here of the Foreign Trade Adviser of the Department of State, and I will interrupt the program at this point to introduce to you, gentlemen, Judge William B. Fleming, who represents the Department of State, and who will now address you.

Address of Hon. William B. Fleming

Foreign Trade Adviser, Department of State

MR. FLEMING: Mr. Chairman and gentlemen of the Conference: I want to make my acknowledgement for the handsome way in which I have been presented and for this recognition, Mr. Chairman, by this great body of so humble a representative of the State Department as I am.

I want to express the thought that I am all the more glad of this recognition because I did not want to see this great body put upon the stage the great play of Hamlet with the part of Hamlet omitted; and I think the State Department, gentlemen, occupies largely, in our import and export commercial field, the part that Hamlet occupies in the play. I am glad to see this recognition by this great body of the State Department.

I recognize that I am under limitations both as to time and also as to circumstances and relations, because this is an international conference, and there are some things that I might have in mind to say that would not be appropriate for this occasion; and, moreover, being a quasi-representative of the State Department, you know I have to be a little bit on my Ps and Qs, and therefore I have hurriedly dictated to a stenographer a few thoughts, the transcript of which has just this moment been handed me and which I have not had time to revise. In order that I may not fall into diplomatic error perhaps you will permit me to read what I have to say.

I have been requested to speak in answer to this topic:

What the Department of State Should Do for Our Foreign Trade

In order to understand what our Department of State should do for our foreign trade it will be necessary to know something of what it is now doing for that trade.

It should be understood at the outset that the business of taking care of, extending and expanding American foreign trade

is divided, so far as the government of the United States is concerned, into two parts: that which is under the Department of Commerce and that which is under the Department of State. The jurisdiction of the Department of Commerce is essentially in the domestic field and the jurisdiction of the Department of State is essentially in the foreign field.

There is the most perfect coöperation, gentlemen, between these two departments, and I am happy to say that, so far as I know, there is no friction whatever between them, although at times the jurisdiction of the one might seem to overlap that of the other.

The Department of State has some 900 consuls and consular officers located in some 500 headquarters abroad. The principal business of these officers is to look after the commercial interests of Americans. They make careful studies and critical analyses of our import and export trade in their several districts. They search out the resources, industries and commerce in their several fields. They report the possibilities of business and trade opportunities and obstacles in the way of the expansion of American trade and suggest the means of overcoming these obstacles. They make a study of the customs tariffs and customs regulations of the country in which they are stationed and the effect of these on American trade, and transmit copies of these laws and regulations and the amendments thereto. They report all cases of discrimination against American interests, how this discrimination is effected and the policies upon which the discrimination is based. They also study and report on freight rates, of railways, canals and oceans, also on the bounties given by foreign nations.

They also study and report on wages of labor and other items of the cost of manufacture of products, and the prices at which manufactured articles are sold for domestic use. They work in coöperation with the American ministers and ambassadors and assist these officers of the government in commercial matters and in the effort to correct erroneous customs charges and to prevent undue detention of goods and ships. Tradition has long given to the consuls a certain prestige which affords them an open door to the sources of information—doors which are not accessible to purely commercial agents.

The information gathered by these officers is transmitted to the State Department, where it is censored and then transmitted to the Department of Commerce for analysis and for distribution to American manufacturers and exporters.

You will understand the necessity of that censoring, because it is intended to keep from publication anything that might embarrass the government in its foreign relations.

You will be surprised to learn that in normal times the entire net cost of this great consular service to the American government is only about \$1,500,000 per annum. The consulate fees make the consulates comparatively nearly self-supporting.

The Diplomatic Service

The most potent power exercised abroad in behalf of American exporters, however, rests with the American ambassadors and ministers, who act under instructions from the State Department in behalf of American interests. Through them the complaints and protests and point of view of American concerns are made known to foreign governments and the protests and representations of the State Department in behalf of trade and commerce are presented. The American embassies and legations are constantly using their high offices in aid of American importers and exporters.

The fact that the interests of American business men in the foreign field are largely dependent upon the officers under the control of the State Department cannot be too strongly emphasized for the reason that there is a widespread misapprehension in regard to the matter in the minds of our business men who seem to think that they are dependent upon the Department of Commerce rather than upon the Department of State.

More than once efforts have been made in the Congress of the United States to transfer the consular service to the Department of Commerce. These efforts have arisen from the want of proper information. Commercial questions are so interwoven with political and diplomatic questions that it is often impossible to separate them. Commercial agents in foreign fields logically belong to the Department of State or the Department of Foreign Affairs; otherwise the country is liable to be greatly embarrassed in its international relations. The fact that these officers are placed under the control of the Department of Foreign Affairs by all the great nations of the earth ought to be sufficient to satisfy the average mind that it would be a serious mistake to divorce them from the diplomatic branch of our government. Moreover, merely commercial agents would not have the opportunity or the facilities for gathering the information needed for the American business men. The customs which have prevailed from time

out of mind and which still prevail in foreign nations could not easily be overcome, and it would be an unwise and hazardous experiment to separate the consular force from the diplomatic force. This was the view of Congress after full consideration.

I might add that all the great diplomatic representatives of the United States in the Senate when that question was up, including not only Mr. Bacon, Senator Lodge, Senator Root and other men of that class, were unanimously of that opinion, and so expressed themselves upon the floor of Congress, and when their views were thus expressed all opposition to their idea immediately ceased, because no one could undertake to answer them.

The representatives abroad of the United States are under the control of the Secretary of State with the assistance of the Director of the Consular Service, the Assistant Secretary, the Solicitor, the Chiefs of the Geographical Divisions and the Foreign Trade Advisers of the Department of State, who draft most of the instructions for the signature of the Secretary.

Now, gentlemen, this brings me especially to call to your notice the office of Foreign Trade Advisers. I dare say that most of you are unfamiliar with that office. When I walked into the office, to be greeted by my predecessor, Mr. Pepper, who is not unknown to some of you, and was kindly and graciously received by him, and asked him what the jurisdiction of the office was, he took me up to the wall and showed me a map of the world and said: "There is your jurisdiction." And so I began to be initiated into the mysteries of the office of Foreign Trade Adviser.

The Foreign Trade Advisers' Office

The principal bureau in charge of matters of foreign trade in the State Department is that of the Foreign Trade Advisers. The business of looking after our foreign trade naturally is centered somewhere. Formerly it was centered in the Bureau of Trade Relations, which bureau has evolved into the Foreign Trade Advisers' office. The business men who come to Washington with regard to foreign trade are sent to that office, where they confer with one or both of the Foreign Trade Advisers. The correspondence of these business men is also referred to and handled by that office. The Foreign Trade Advisers' office stands in relation to the Department of State very much as the Bureau of Foreign and Domestic Commerce stands in relation to the Department of Commerce. The Foreign Trade Advisers act

largely as the representatives and agents of the business men of the United States in relation to foreign trade.

Now, gentlemen, I hope you will appreciate the force of that. We are largely your representatives, and the representatives of all the other business men of the country; your agents, your servants, to look after your interests; and the latch string, of course, is always on the outside, and you will receive not only welcome but all the advice and all the information that can be afforded in that office. (Applause.)

The Foreign Trade Advisers, however, have a quasi-diplomatic relation. They often take up trade matters with foreign embassies at the capital.

For example, they have coöperated with the British Embassy in the matter of bringing forward of American-owned goods of "enemy" origin. They have initiated through the Russian Embassy the negotiations which led up to the recent protocol agreement with Russia whereby goods of Russian origin are now coming forward to the United States.

Is a concession from a foreign government desired by an American concern? Has an American merchant been overcharged in the foreign customs office? Has he been discriminated against? Does he desire information from abroad in regard to his business? Is he in trouble anywhere outside of the United States in regard to his business? If so he may come to the Foreign Trade Advisers' Office for conference or probably have his correspondence handled there.

The work of the Foreign Trade Advisers' office is now divided into two parts; the administrative work and the advisory or constructive work.

It is in this latter branch that the important questions are first considered which relate to the great fundamentals touching American interests in the foreign field.

It is here that those questions will be naturally considered which will best answer the question, "What the Department of State should do for our Foreign Trade." In answer to this question it is suggested—

(1) That the State Department should continue the administrative work along the lines heretofore existing.

(2) That the constructive work now entered upon should be vigorously prosecuted.

(a) That the act known as the "Seamen's Act" should at once be carefully considered and the Department advised as to

the operation of the Act and its effect upon our foreign commercial treaties and relations and what, if any, amendments should be recommended to Congress in relation thereto.

(b) The five per cent. clause of the Underwood tariff law should be studied and the Department properly advised with reference to our treaties and commercial agreements and commerce.

(c) Perhaps the most important pressing question to be considered by the Foreign Trade Advisers is that of our commercial treaties and policies.

I have my views as to what action should be taken along that line, but this is not the time nor the place for the submission of those views. The subject is a far-reaching one.

To meet the responsibilities of the Herculean task of the Foreign Trade Advisers Congress should immediately provide for an enlarged force in the Foreign Trade Advisers' office, so that there may be added to the present force able assistants and competent statisticians and clerks.

Commercial Agreements and Treaties

Several commercial agreements are now being considered by the Department of State. Other commercial treaties may come up for consideration at any time. After the end of the European war probably it may become necessary to negotiate a hundred commercial treaties or at least material amendments to existing treaties. How can the interests of the United States be taken care of in this great work in which the future business interests of Americans are involved except by the intervention of the State Department, and how can the State Department meet this grave responsibility except by the aid of a bureau properly manned and equipped with ability to make the necessary investigations, gather the data and to properly advise the Department and make appropriate and timely recommendations and do the necessary drafting?

In my judgment there is no more important duty now resting upon American business men than that of seeing to it that Congress provides the funds so that this bureau may be properly organized and efficiently equipped.

In my judgment we are in a state of unpreparedness. We should be as well prepared for the peaceful war which we must enter upon as for the military war which we may have to engage in.

This peaceful war must be entered upon in the spirit of amity and good will. We must be prepared to give as well as to take. We must consider the other fellow and the other fellow must be made to consider us. These negotiations must rest upon the basic rock *reciprocity*, and that upon the still deeper foundation of the principle of the Golden Rule, which is the great moral law of the world. This law must be the guide, the Polar Star, if the work done is to endure.

Thus only may we hope to safeguard the vast and the expanding interests of the greatest and most successful bodies of business men on earth—the exporters and importers of the United States.

Now, gentlemen, I have had my little say. It may not be worth the saying; yet I hope I have sown the seeds of some thoughts that may find lodgment in your minds, and that may result in a fruitful harvest.

I leave this body and this Conference with a most satisfactory feeling. I know, now, of no better work that I can engage in than coming in touch, hand to hand and shoulder to shoulder and heart to heart with the great business men of this country, whose interests, in a way, are committed to my humble hands. And, gentlemen, I have been delighted to meet you, to see you and know you, and I hope I shall see more of you in the future.

I shall be glad to see any of you, to receive any suggestions or advice from you at any time in my office, or at any other place you may find me.

Gentlemen, I think the spirit of the Department of State is of this kind. I think it is ready to reach out the hand to you and to give you welcome, with the view to protect your great interests, and I hope to meet other bodies like this and to receive inspiration from them, in order that I may go forward and prosecute the work which my hands find to do.

Yes, gentlemen, I am delighted to have seen you and to have met you, and I go away from this body and from this city somewhat with the feeling of that Arkansas fellow who courted his girl for some seven long years, but never had the courage to ask for her hand. At last he managed to screw his courage up to the sticking place and popped the question; and the girl said: "Jim, why didn't you ask me this long ago? I have been waiting for seven long years for you to ask me that question. Now you ask me whether I will have you or not, and of course

I am ready to say 'Yes.'” And Jim was so happy that he went out into the starlight and fell upon his knees and lifting up his eyes to Heaven said: “Oh, Lord, I now ain’t got nothing agin nobody.” (Laughter and applause.)

THE CHAIRMAN: With your permission, gentlemen, I am going still further to interrupt the calendar for a moment to recognize Mr. Search, who has a matter to present to you that I think will meet with your unanimous acceptance.

MR. SEARCH: Mr. President and gentlemen of the Conference: It occurred to me, while sitting here this morning, that at some time during the day somebody should do that which I have concluded to do myself, not having heard of any other person ready to take the initiative.

It must be patent to all of you that this Conference has been gotten together by somebody who has given it a great deal of thought and who has put a great deal of preparation into the work. Otherwise, things could not have moved so smoothly as they have done, with no friction anywhere, nothing to interrupt the harmony of the proceedings.

As you wished information and as you tried to get it, you found everything ready at your hand.

The preparation of the program and the gathering together of the speakers, who have so greatly enlightened us, and the preparation of the banquet last night and the beautiful addresses that were given, were really far above the ordinary on such occasions. Somebody must have given to those things a great deal of thought.

The President of this Association has acknowledged that there is a great deal due to somebody, and, in the goodness of his heart, has given out the name of the man to whom it was due. He has told me his name. He believes that when he places confidence in the people who are under him, doing the work of this Association, and when he gets the people to know somewhat who they are, that he is getting greater and better service all the time; and I think that is one of the attributes of a great general.

I am fully aware of the fact that the gentleman to whom I am going to allude would never, by the slightest hint, give any idea that he thought anything of this kind was due to him. He follows the Biblical injunction very closely: his yea is yea and his nay is nay. It seems to me that he follows that injunc-

tion strictly, and that he believes that whatsoever is more than these comes of evil.

Now, gentlemen, I move that an expression, by a vote of thanks of this assembly, be given to Mr. Benney, who has engineered the whole program. (Great applause.)

MR. GREEN: I desire to second that motion, and I suggest a rising vote on that.

THE CHAIRMAN: You have heard the motion, gentlemen. Are there any further remarks to be made on that? If any of you desire to say anything, the time will be granted. All in favor of the motion will signify it by rising.

(The motion was adopted by an unanimous rising vote.)

MR. COWLES: Before this meeting adjourns, Mr. Chairman, I would like to say a word with reference to a suggestion made by my friend the Foreign Trade Adviser of the Department of State, and that is in regard to our foreign parcel post. I will say what I want to say to you in five minutes.

THE CHAIRMAN: We are not quite ready to adjourn yet. We will try to make time for that hereafter.

MR. COWLES: My friend, Judge Fleming, suggested—

THE CHAIRMAN: That is not in order just at this moment, Mr. Cowles.

Mr. Benney, the Chairman would like to have something to say in connection with the rising vote of thanks which has just been tendered to you, although it is not supposed to be the province of the Chairman to address the Conference. I wish to say that it gives me the greatest pleasure to convey to you the unanimous sentiment which has been expressed in this motion.

MR. BENNEY: Mr. Chairman and gentlemen: This surely was not on the program, and I am certainly not prepared to respond to the generous vote of thanks which you have been so kind as to tender to me personally, but I wish to reply, not only personally, but on behalf of those who as you must know have been coöperating with me in the making up of this program.

I particularly wish to mention Mr. Gonzales. (Applause.) You have heard Mr. Gonzales, and you know something of Mr. Gonzales' quality as a speaker himself, and as an authority on the subject upon which he has spoken; but you may not know that he has been coöperating in this work strenuously, night and day, for many weeks, and it is largely due to his knowledge of affairs, to his knowledge of persons and their ability, and his tact in selecting speakers that the program is as good as you have been kind enough to say it is.

If I do not mention others of the staff it is not because they do not deserve commendation, but because it has not been necessary to call upon them to the same extent, and moreover would practically mean naming all of the officers and large staff of the National Association of Manufacturers. They have all rendered faithful and enthusiastic service when called upon.

But the gentlemen of one committee, I think, should come in for this vote of thanks: Mr. Wyman, Mr. Gregory and Mr. Keough. They have gotten up a unique exhibit, I think we may call it, and it is well worthy of study. It has been very well styled an educational exhibit—so much so that I find we have a number of applications to have this exhibit shown at different commercial centers throughout the country. I believe we have Colonel Pope's permission that that shall be done, so that after our sessions here are finished, if there are any commercial bodies that would like to have that exhibit, if they will send in their applications they will be considered in due order.

But, gentlemen, if we personally are entitled to a little credit for this work, you must realize that nothing could be accomplished without the coöperation of a great organization. We are fortunate in having a president in the person of Colonel Pope, who has been not only sympathetic but cordial in his coöperation and active in his encouragement to go ahead and make the Conference a success. And back of him is the great business organization of the National Association of Manufacturers, which, as all of you should know, embraces all the manufacturing States of the country in its membership and is, moreover, international in its influence, the extension of which influence beyond our borders began under President Search himself.

It is gratifying to us all to have you think this Conference has been a success and that our work has therefore not been in vain. We have tried to make the Conference truly international—not a selfish national assembly, but one in which representatives of all peoples and lands might get together and aid in cultivating that mutual good will on which all true commerce must rest. I thank you. (Applause.)

MR. PHILLIPS: I rise to suggest three rising cheers and a tiger for Mr. Benney.

(Three cheers and a tiger were given for Mr. Benney.)

MR. BENNEY: I call for three cheers for Mr. Gonzales. He certainly deserves them.

(Three cheers were given for Mr. Gonzales.)

THE CHAIRMAN: Gentlemen, after this very pleasant diversion, we will return to business.

In a number of the addresses to which we have listened reference has been made to the situation of the American manufacturer or the American merchant who, from some limitation of capital or otherwise in his business, does not feel justified in undertaking an individual enterprise in export business, but who desires to make a beginning, or who desires to branch out, having made a beginning. The question of how he could so do has been a very important one, and has been noted by several speakers; how he should be able to do his export business through combination, coöperation with others who were similarly situated; because sometimes two or three or more in combination can accomplish that which one alone would not accomplish with limited means or limited facilities.

This part of the subject of developing a foreign commerce will now be presented by one who has had a long experience in handling the export trade for a number of manufacturers combined for that purpose, and therefore, we will listen to his remarks with very much interest.

I take great pleasure in introducing Mr. H. C. Lewis, general manager of the National Paper and Type Company, of New York. Mr. Lewis. (Applause.)

Coöperation in Foreign Trade Development

By HARRISON C. LEWIS,

General Manager, National Paper & Type Company, New York

Coöperation has been widely written about and variously tried, sometimes with success, but more often with failure. Theoretically coöperative policies are ideal, but practically they have rarely worked out. Failures, however, have very generally resulted from lack of regard for the vital human element of selfishness. In most cases the individual management has not been given an opportunity of profiting through successful service to the organization. With prospect of profit or benefit to the few upon whom leadership and responsibility rest, the many may be benefitted. Coöperation can reach its highest efficiency only when the men who give their best efforts to its management, adding their own ripe intelligence and experience to the united purpose and the investment of the concerns interested, are allowed

to share in the results to which they have contributed. In other words, to be successful coöperation must coöperate.

Desirable Factors

Many of our manufacturers need coöperation in foreign trade, and its results will help our country, but we should favor coöperation or combination only if it will produce economy, efficiency and greater profits. All of these results will bring benefit to the United States as a whole, but to work out such a policy selfishness, which may be simply another term for ambition, and which may also be termed a by-product of energy, must be recognized and fairly dealt with.

The selfishness to which I am particularly referring is the legitimate desire of the management of a successful business to share in the results of its work. With this prospect insured, the management has a greater incentive to push the enterprise to its full development, and in the lack of this lies the weakness of many coöperative attempts.

Taking Reasonable Chances

Let me suggest that four, or six or eight manufacturers, having lines more or less allied, get together and employ a good man to represent them in certain territory abroad. Make a fair arrangement with him on salary and commission basis, and advance some money for his preliminary expenses, and possibly necessary investments. Let each put up one, two, or five thousand dollars, and take a chance on results. It has been very justly said that no one can succeed in foreign trade without imagination and a certain willingness to take the adventurer's chance. With judgment, ability and foresight the dangers are no greater than in this country, and the rewards should be better. Great fortunes have already been made by Americans in foreign trade, and greater ones will be made in the future. If you will select the right man, and if you have goods in demand abroad, you can succeed if you will play the game properly, but to play the game you must first risk some expense or investment. You must also give the man or men in charge of your foreign business an opportunity of making a good thing if they succeed. Personally, I favor paying men in charge of foreign trade fair salaries, and giving them an interest in the profits.

Selecting the Right Man

After agreeing among yourselves that you will get together, the first important thing is to select the right man to represent

you. This is not easy, but it is not so difficult as it would seem to the uninitiated. We ought to have in this country a Bureau where the manufacture unacquainted with foreign business and the salesman or potential manager who has had experience abroad may get together. A potential manager is to be desired before even a successful salesman. Managers are rather few, and salesmen can be obtained.

Trial Territory Should Not Be Too Large

Having secured your representative, then determine upon the territory you first wish to cultivate, and do not make that territory too large. Try it out thoroughly, and increase your business, and possibly your investments, as conditions warrant. Arrange to place moderate stocks in the territory covered as soon as there seems to be a present demand. Increase those stocks as regularly and rapidly as increased business warrants. Make your management responsible for credits, for collections and for profits.

Undesirability of Commissions Solely

I am rather strongly opposed to paying a foreign representative entirely on a commission basis. The temptation to make a commission may lead to unwise sales, and the temptation to increase his compensation by taking on other lines is almost inevitable. Make him work solely for you, and make it worth his while to do so. Put your goods in at the smallest possible manufacturing profit, and keep an interest in the selling organization so that you share in its gains. As soon as your foreign business shows success, interest your friends and neighbors in the capital of the selling organization so that you as manufacturers may not have to carry the entire capital burden, and also increase in this manner a more general interest in foreign trade and foreign affairs among our people.

I have said before that we shall not become a great exporting nation until our smaller manufacturers have greater opportunities for developing a foreign trade, and until the people of the country as a whole realize more of the benefits of an export business. When the manufacturer of the Middle West has a foreign trade, and has interested his friends in it, he and they will realize its advantages and possibilities. When the moderate sized shop can employ ten or twenty or more additional workmen, due to this foreign demand, the working men will realize its importance and work for it.

Competing Concerns May Unite in Foreign Selling Agencies

There seems to be no good reason why competing concerns should not unite in joint selling agencies abroad. They can save by greater economies and can profit by greater efficiency. Another important feature is in their ability to place orders most economically and advantageously. One mill or factory may need business for the time being, while another does not. One mill or factory may be so situated as to command a lower freight rate to a certain port than another. One may be able to ship more promptly, or another may be equipped to manufacture the particular order most advantageously. It all means greater benefit and profit for our people, and this helps our country as a whole.

All Partners Should Bear Risks Equally

It is impossible practically to arrange or agree to allow any concern to come into a coöperative or combined selling organization at any time it chooses. If this is attempted the people of enterprise must first run the risk, and then share their success with those who have not been willing to incur expense or risk in the beginning. There need be no discrimination against equal enterprise and ambition, but there should not be ultimate discrimination against those who show the pioneer's enterprise and ambition.

The Golden Rule does not prevail in export business, and we must meet conditions as they have been created by others. To do this every possible legitimate advantage should be given us. Our young men must be encouraged to go abroad and creditably represent our factories and our people. They must be made to feel proud of their American citizenship, and always proud of the goods they have to sell and the business methods of their employers.

Coöperation Must Include All Classes

We need this coöperation not only among ourselves but in Washington. Combined effort on the part of our manufacturers, of our citizens and our workingmen will bring efforts in Washington which will greatly help in the development of our over-sea trade. The demand is not yet insistent enough to bring this about, and unfortunately we seem to have few in high places who sufficiently understand the possibilities or needs of this line of business. I believe that coöperation in educating our people at home in foreign affairs is almost as much needed as coöperation in selling abroad on the part of our manufacturers. Even now

we can imagine the result if the concerns here represented should send a large and highly qualified committee to Washington to explain with patience and in detail the needs of the manufacturer and merchant in respect to foreign trade. Had it been possible to convince our last Congress of the full need of an American merchant marine, and of the quick and sure way to obtain it on safe and sane lines, there is no doubt that we should today have a large number of merchant ships carrying our commerce, and that the present transportation difficulties would be greatly relieved.

Government Ownership Not Coöperation

Government ownership of steamship lines is not coöperative. Subsidies in a sense represent coöperation. With prospective government ownership of certain steamship lines, against which no private concern can successfully compete, and for which our people must pay dearly, we may imagine what European lines will do to our commerce until such time as our government ships are actively in service. We can safely count on being almost fatally handicapped for from one to three years, and of losing the advantages and the trade which have come to us in the past year. That possibility seems to me even more serious than are the present conditions, and certainly they are bad enough.

We must recognize the fact that the Eastern seaboard is the proper place for handling export business. The goods may be manufactured anywhere in the country if freight rates will permit delivery at the seaboard at reasonable cost. To this end, by the way, lower freight rates on export shipments to the seaboard should be permitted. It will help our country and should increase the revenues of our railroads to an extent that will in the end be profitable. There are mills in the Middle West whose products can be sold to great advantage abroad, but which cannot under existing tariffs bring their goods to the seaboard at a cost that makes it profitable for them to sell in the foreign market. A reasonable reduction in freight rates would enable them to compete.

Advantages of Proximity to Seaboard

The concern having its headquarters in New York or other cities on the coast available for effective shipping has an opportunity of buying which the concern situated inland does not always enjoy. It has a better opportunity of meeting foreign buyers when they come to this market, and it can generally watch shipping conditions and make shipping contracts which will be advan-

tageous and put them in the competitive class. On many commodities a moderate difference in ocean transportation rates means the taking or losing of an order, or means profit or loss on the transaction. The large shipper gets his special rates because he can guarantee a regular fixed tonnage. The irregular and modest shipper cannot do this. There are agencies which handle general shipments with considerable advantage, but they are rarely able to handle specific articles of moderate tonnage as well as the organized company can do on its own products.

Coöperation and Combination

Our great companies can afford to establish their own branches abroad and create for themselves export departments which are ably managed. They can organize their own export companies and run them without selling profit, but for the general benefit of their own factories. This plan has, I know, been worked out very successfully by some of our very large corporations, but in my judgment the plan does not meet the needs of the manufacturer with a moderate or small export business. His volume is not sufficient to enable him to work alone with profit and the combined volume of a number of manufacturers having entirely independent plants and making different goods is not sufficient to be handled in the same way that the large manufacturer uses. Conditions are different, and different methods are needed. As a country we must have more export business if we are ever again to be highly prosperous. To get this export business in a way that will bring prosperity we want the right to coöperate on non-competitive or competitive lines, or to combine for the sale of our products abroad and for the purchase of foreign goods. We need above all legitimate, sane and consistent encouragement for our men who go abroad and live there for the benefit of our whole country. We must never forget that the prosperity of a single concern engaged in foreign trade brings some added prosperity to our entire country. It means the bringing of foreign money here. It means the ultimate investment of our capital in foreign lands and its use in the development of countries and in their purchase of our own merchandise. It means the payment of interest and dividends to us instead of our payment abroad. It means the employment of countless men in office work, in shops, on railroads, and in time, let us hope, in shipping. Let us preach the gospel of foreign trade for all who have enterprise and ambition to secure it.

THE CHAIRMAN: The American salesman abroad has been the subject of many papers and addresses and lectures and criticisms; and whatever may have been his shortcomings we know that it is he whom we must all ultimately rely upon to dispose of our product. Mr. Reed, who will speak to us on this subject, is a gentleman who has himself been an American salesman abroad for many years and is well qualified to address us on that topic.

I have great pleasure in introducing Mr. Reed.

The American Salesman Abroad

By LOUIS C. M. REED,

Of the Chamber of Commerce of the United States.

MR. REED: Mr. Chairman and gentlemen: When I was in Indianapolis last week Mr. Theodore Randall, secretary of the National Brick Manufacturers' Association, was good enough to ask me to address the National Brick Manufacturers at their coming convention. I told Mr. Randall that I should be honored provided the National Brick Manufacturers did not bring any of their product to the banquet when I spoke. (Laughter.) I felt it safer to make this stipulation. (Laughter.) I once addressed an egg merchants' association. (Laughter.) It is one thing, you know, to be covered with honor—(laughter)—but you have the rest of it. (Laughter.)

I feel no trepidation, however, to speak of, in addressing you men here this afternoon, because the business which has brought you together is my business, too. The export trade is my game, and until the war drove me back to my own country I had spent most of the past ten years in twenty-five countries of the world organizing American business; and I may qualify that word "organizing" by saying that I was selling goods; because it is one thing to organize a trade and it is another thing to sell goods. The only well organized Trade is the Trade that is buying your goods. Besides, I feel at home because I have run across a great many of my friends at this meeting whom I have met in various parts of the world; and we have all got together and decided that we would not mention anything here on this side as to what we used to do on that side (laughter), so we hope to get along. (Laughter.) Among these friends is my friend George Coleman, sitting back there, whom I last saw, I think it was in 1910, in Durban, South Africa. Coleman came over on a tramp steamer from Australia. He had been on the

Pericles. I believe it was not submarined, but it struck an uncharted rock, and I never knew what a tramp steamer was until I saw Coleman come into Durban that day. (Laughter.)

Mr. Coleman met me last night and he said:

"Reed, if you will come up to my room tomorrow morning, I will tell you everything that has been said, so that you won't say the same thing over again; because it is going to be *hades* if I have to sit and hear you tell the same thing that has been told better by somebody else." (Laughter.) But I want to say, gentlemen, on that question, that what has been said by somebody else—and I only arrived last night, so that I do not know—but I will guarantee that that same thing has been said by somebody else for twenty years; and that, up to the present day, very few American manufacturers have profited by it—comparatively few.

I believe there are no new theories in regard to working the foreign trade, or the export trade, because I, like the others, prefer to use the word "export" rather than "foreign"; there are no new theories, so far as I know. They are the old theories, but you must keep pounding on them all the time, and one by one you will get the American manufacturers interested.

I am one of those men who do not believe we ought to jolly one another and tell what a great nation we are, and what great salesmen we are; because it is enough when we jolly ourselves into the belief that we are hustlers. When we get abroad the first thing we do is to criticize everybody for their lack of speed; and then when we are there a while we take a look at our own speedometer, and it does not register very well. Look at us when we get away from our own boss into the foreign field—and look at our own boss when he gets away from us into the foreign field. (Laughter.)

I am one of those, also, who believe—I think it was Mr. Kahler who voiced this same thought in his splendid address on advertising—that there is nothing mysterious or occult at all about foreign or export business. I do not know who started that. I do not know whether it was some of my brother salesmen who wanted to make out that every sale was like firing for 22 knots in a ship's stokehole, when it might have been like peeling a ripe banana, or whether it was started by, perhaps, some of our good friends, the exporters; but it is not mysterious or mystic or occult at all, and the same common sense you use in your domestic trade should be applied in the development of export business.

The longer I traveled in foreign countries the more I became convinced that the essential thing that is required is an understanding of life, if I may use the term, an understanding of human nature; and that thing called the psychology of the sale, gentlemen, is a more important thing than anything in the selling world. That is the big thing.

Now, gentlemen, I don't want to be accused of verbosity, as I was in Pittsburgh the other day. When I was about to address the merchants of Pittsburgh—a man came up to me and said, "Are you a political speaker?"

I said, "No. Why?"

He said, "Because it takes you so long to say nothing." (Laughter.)

Lest I be accused of that, I am going to say something, gentlemen, and I am going to say it frankly and specifically, and trust to your vision to accept it in the spirit in which I utter it. I am going to ask a question.

The question I am going to ask, which I have been wanting to ask for a great many years, but have always found myself in some other land when it has seemed most important to me, is: Why is it that the average American manufacturer who takes the greatest pains in constructing his goods just right, in the preparation of his advertising literature and his sales letters, will then turn around and appoint as his traveler abroad some Hicksville pallbearer with a three days' growth and a long flowing tie because he happens to understand the language, but who does not know the line from a large juicy slice of watermelon; or else he will go to the opposite extreme and select some genius from the molding room, with a jaw like an adding machine and a freight-yard vocabulary, who knows the line from basement to shingles and can lick any man who says he doesn't. (Laughter.)

Now, I can answer that question. And the answer, I suppose, has been given to you here during these sessions and for the past ten or twenty years. The answer is: Because the American manufacturer, the average manufacturer who sets out upon the choppy sea of export sales development, has never been abroad himself; or, if he has perchance been abroad his oversea experience has consisted of a trip to Paris and up Montmartre in tow of a Cook's guide, with his letter of credit strapped to his heart. (Laughter.) And when he comes back you cannot possibly touch him on this question of export trade. He will not believe anything you say, because he has been there. That, pos-

sibly, is the answer to the question, because he himself has not been abroad at all, or thinks he knows *it* when he doesn't.

I maintain that any American manufacturer who is sufficiently seriously interested in the question of export trade development, should consider it just as important a thing for him to visit the countries he intends to supply as it is for him to visit his factory and know his machinery, and visit the domestic trade and know his domestic trade.

If it is not possible for him personally to go—and here comes in this whole question—he should at least appoint as his export manager some man who himself has had wide experience in selling the export markets, or who, at least, does not enclose a two-cent postage stamp when he wants a reply from the other side. (Laughter.) Some American manufacturers think that if their man knows the line and the language that is all that is necessary; but there is something vastly more necessary than that, and that is a degree of culture and politeness and education in dealing with the manicured merchants of foreign countries; and every man in this country who himself has been abroad I am sure will bear me out in that statement. There is no need of my telling you the value of the personal equation in a sale. You know it. But I tell you that the social factor in foreign sales, gentlemen, plays a far wider, bigger part than most of us here in this hustling, bustling, get-down-to-business country of the United States ever dreamed of. It is a big part, it is a big factor in the sale. That is what I know, and that is what I am sure every man of export selling experience knows.

In 1903, when I made my first extensive trip abroad, I used to wonder why it was that in some countries we Americans were about as welcome as a hair in the butter or, as some humorist said, as a wet dog at a picnic. I never could understand it until I began to analyze the situation, and I found that the average impression had been formed of America and Americans not by reading history but by coming in contact with a type of American salesman that was formerly sent into other countries. But those manufacturers who made those initial mistakes in the development of their foreign business corrected them as soon as the executives themselves went into those countries and saw just what kind of people it was necessary to deal with; and then they soon found what type of salesman was necessary to send there to successfully carry out the sale. So, today, you find among the older exporters a high representative type of American

gentleman, and he is all over the world today. But the same mistake, gentlemen, is being made every day in the year.

I contend that coöperation depends upon meeting the other fellow and getting his point of view. Do you know, gentlemen, that your only medium of understanding or misunderstanding with your export clients is your salesman? Think of that tremendous factor and the importance of it.

Suppose your representative reports that Smith & Company are not in the market. How are you ever going to know, back here five or ten thousand miles from that selling talk exactly what happened? Might it not have been that Smith & Company were not in the market because they may have heard your representative the night before tell a crowd of his friends what he thought about the whole country? We Americans, whose country is made up of all nationalities, can scarcely appreciate what that sort of thing means to a people who, for generations and generations, have been brought up in the same country.

I want to say here, and I believe this statement will be borne out by men of experience on the other side in the selling game, that if the average merchant abroad takes a dislike to your salesman he will see your goods in the seventeenth sub-basement of Limbo before he will place an order for them. That is just how independent he is; and I admire him for it; because I feel that when business is conducted along fine, gentlemanly, courteous lines it is one of the rarest pleasures in this world, and ceases to be work at all; and that is why I am for it myself.

This problem of getting the right kind of man to travel abroad has always been a knotty one for solution. Many a salesman has fluttered off on his first trip abroad for dear firm full of enthusiasm and farewell dinners, and then limped back, maybe a year later, with an eight-deck expense account, and nothing to show for it but a little souvenir fan from Maxim's, or a couple of fizz corks for l'Abbaye (laughter), and others have stayed for six months abroad and then come back to find out what it was that they went abroad to attend to. (Laughter.) Why is it that this fizzle-finish perches so often upon the spotless record of the domestic traveler when he is suddenly transferred to the export field? Take a perfectly good home salesman who has worked himself up from what I call a county burdler to the point where he can canvass big towns without going wrong. Put this same man in the export trade and what is apt to happen, and what has happened right away? He takes the bit in his

teeth, kicks in the dashboard, jumps over the traces and clatters down the highway with the sparks flying from his heels like a village smith's anvil on Saturday morning. Why didn't he show speed in Dubuque or in New York or Chicago? I can tell you why, by telling you a little story of an actual experience that came under my observation one time in Russia.

A certain American manufacturing firm got growing pains and decided to invade the export market, about which they had been reading in an export journal.

They selected two of their gold medal salesmen who had been laying in tall harvests of orders every season with no crop failures chalked up against them, and there was no doubt about the ability of these men to get business anywhere.

The third man selected was a young Frenchman who had traveled about the world, but he came over here to learn American ways of doing business. Dear Firm selected this young Frenchman with some misgivings, because he smoked cigarettes and drank claret with his dinner, and always took out time during a selling talk to glance at anything in the way of feminine beauty that happened to flutter by at the time.

The firm decided to send this squad to Russia first. The young Frenchman said he could lead them safely through the land of the Czar on the French language; but the firm promptly tabooed the suggestion. They said he could not lead a cow. He associated with cigarettes and claret. Besides, they said, the Russian language was absolutely essential, too. So, on a high stool in the bookkeeping department sat a long, silent individual who had once been professor of languages at some college, and who spoke the Russian language. He had what might be defined as a wrought iron face. Nobody ever saw him smile, and he never thawed, and so he was highly respected. (Laughter.)

The firm, therefore, decided to put him in charge as interpreter for the boys, and something was whispered to him on the side about keeping an eye on this frisky Frenchman.

In time the squad got started, and for about two weeks afterward the gold medal boys and the interpreter were struck numb and dumb by the sight of so many beautiful women, such jewels and champagne and the sight of high life generally, until their eyes grew glassy and chimes rang in their ears.

The Frenchman did not seem to get excited at all. He just continued to smoke his cigarettes. But by the time the "flying wedge," I believe it was called, and I believe it was too—by the

time it reached Petrograd, the ossified section had got to the point where they could mumble a few incoherent sentences and appear in their wooden dress suits without forgetting to put on their collars or something in the excitement. But, mark you, after they were in Petrograd a week you might have seen them flying around with their isvoschik to the Marinski, and the Aquarium and the Ice Palace and the gay cabarets that open at midnight and close when the daylight begins to sting the blinking eyes of the patrons. (Laughter.)

Every night they might be seen in first tier boxes at the opera and the theater and buying wine for a galaxy of youth and beauty who insisted that they be allowed to drink to the health of these men. They drank up about \$400 worth of the firm's money to the health of their representatives. (Laughter.)

Old "Ironface," if you will permit me to call him so, started to raise side whiskers and smoke cigarettes in an amber holder a yard long, tucked his handkerchief in his cuff and took a small vodka before his caviar. (Laughter.)

One night he introduced the two gold medal boys to a couple of Russian princesses hailing from Marseilles; and it was all off to Vesuvius with the trio after that! (Laughter.)

Of course, the true situation came out when the men ran out of money and cabled home for refreshments.

They had been furnished with sufficient lubricating oil to last them a year, and so, naturally, their S. O. S. caused their firm to gasp like a gaffed sturgeon, believe me. (Laughter.)

The result was that they were called home, including the frisky Frenchman, who was naturally supposed to be the instigator extraordinary of the bacchanalia.

Nobody had seen them do any work; because they didn't do any work except to polish up their expense account every afternoon about four o'clock—when they got up for breakfast. (Laughter.)

The young Frenchman did all the chores. In the daytime he went out to see the trade. And at night he would put the millionaires to bed, turn out the electric lights for them and put their shoes out in front of the door to be stove polished. Nevertheless, when they were all called home, he was supposed to be the instigator.

The two gold medal boys were sacked on the spot, and went home and quarreled with their wives because their wives looked so ugly and out-of-date.

Mr. Ironface was put back on the high bookkeeper's stool to work out \$1,500 that they found he was "off side." (Laughter.) He was supposed to be working it out at \$50 a month. (Laughter.) When I last saw him he had done \$600, and would have welcomed death in any form. (Laughter.) The thrilling drama related in his expense book showed that he had made side trips to every corner of Russia and Siberia, figuring up something like \$1,800. (Laughter.)

I have told this little story, gentlemen, because I want to make a point of it. I want to say this: Why was it that this young Frenchman—and he might have been an American; it does not make any difference; I will bring that point out in a minute—why was it that he, who had only done fair work in the domestic field prior to departing for Russia, showed up so much better—although I must admit that he got into overalls one time at the factory, which made a great hit with the firm, and spent twenty-four hours in the factory, thus thoroughly mastering the practical end of the line—why was it that he could do the distance safe and sane in the foreign field when star performers broke badly in the first lap?

I will tell you why. It was because he had traveled the world first. He had lived in gay Paris. It was because he was used to things. He was used to things that we simply do not have here. He was used to things that we simply do not have in America. And I want to tell you that no man knows his own capacity for—if I may use the slang phrase—for "cutting loose" until he has gone up against the foreign trade. It takes a man on his first trip practically all of the time not to study the trade but to study himself. And the man who does not know his emotional mechanism and cannot find his emergency brake in time of need is headed hellward in the foreign trade. (Laughter.) That is a fact, gentlemen. And the wise Firm is the Firm that hangs onto the men who have done the distance in fair shape and brought back some new business, because these men have become acclimatized. They represent an investment that will bring compound interest. It is a very good test of character when a man can meet the pleasure-hugging environment of foreign cities, where every feminine eye is 100-candle-power easily, where some of your biggest customers are thoroughly cosmopolitan themselves, to put it very conservatively, and where some of the largest deals are framed up across the glasses, perhaps in some first-class restaurant.

It is quite simple to be secretary of a Sunday School board and read your four-page newspaper and put the brush under the window and go to bed at night and get up in the morning, and then next night go to hear the phonograph play in the cigar store as a rollicking divertisement. It is another thing when you go out into a country altogether different from the Life Simple.

In this connection I suppose I ought to say something about the professional patriot abroad.

A gentleman remarked this afternoon in his address before this meeting that we should be very proud of America when we are traveling. I have yet to find any American salesman who has not been very proud of America. In fact, we are aggressively proud of America, and most of us who kick the loudest about this government and do not do a thing to remedy matters become suddenly wonderful patriots when we get on the other side, where we cannot do any good by it. That is a fact. (Laughter and applause.)

As I said a while ago, we who are made up of all nationalities are prone not to realize how persons abroad may be affected by any comments of ours—comments which are only too apt to be made when a man goes away and is particularly partial to his own country. He frequently does not realize that nine times out of ten he is talking to people who are descendants of people from that country which he is criticizing, and quite as justly proud of their country as he is of his country.

When you are in another country and you feel it necessary to take it upon yourself to become press agent for Uncle Sam and tell the natives what they don't know, and what they do not do that they ought to do, and to criticize everything, it is foolish—it is not common sense, and it is not business.

I think it might not be a bad plan to always remember in this matter of oversea salesmanship these things:

When you are engaging salesmen for traveling the export markets see to it that they have, in addition to a knowledge of the line and the language, a fair education, good address, more than ordinary tact and diplomacy, a sense of proportion, some degree of social experience and considerable restraint in the use of the cuspidor (laughter)—because there is no such thing as a cuspidor outside of America.

Here is another thing that is quite important to you who are executives: Do not write quibbling, nagging letters to your men

when they are ten thousand miles away. A United States postmark is a good thing to look upon when a man is far away from home and friends; but when it covers a letter of an irritating character it depresses a man abnormally. The same letter received here would not do it. A conversation would not do it. But get a man away off in some other land where he knows no one and he is hurt and affected by that sort of thing. But I am not telling you not to do it for his sake. Do not do it for your own sake, because not only is the man benefited but you yourselves are benefited when you enthuse your men in the export field. A depressed man is not a good business man. Keep your salesmen enthusiastic.

If your export manager cannot write his men about the business because he knows nothing about it himself then tell him not to write them at all. You will get more business if he does not write them a line.

If, for instance, when you are wrestling with some big problem, particularly some big contract, you receive, if you are a salesman, a letter from the export manager who, himself, has never been in any foreign city except Hoboken (laughter)—if you receive a letter from him and he criticizes you for putting insufficient postage on your letter because, as he writes, at tremendous length, using the words "the writer" all the way through, which he loves to put in—if he writes you at tremendous length that when you put insufficient postage on your letter it means that he has to pay something here on that letter when it comes, and you know that a mail went out at a certain time, and that every place that sold postage stamps was closed, and that you had in your pocket half the amount and decided to put it on the letter and send it off on a special post or special train and get it to your firm and save, perhaps, a couple of weeks in catching the steamer—I tell you, when you do that, and you are working on a big problem, and get that kind of a letter from a man who cannot possibly write about the business because he is not familiar with it, it not only hurts the salesman but it hurts your business. That is the whole trouble. That is why I make a plea for the men who are in the foreign field. I speak for a great many men, because I have seen letters that have come from their organizations about little things—the little things, the quibbling, nagging little things that mean nothing to the business, that mean nothing to the development of your trade; they are simply excuses for writing, because this chincapin knows not himself

what to write about that is helpful, but feels that he must write, so he antagonizes rather than harmonizes.

There is another thing, gentlemen, that I want to suggest. Do not sentence your men to spend a certain number of months or years in a given country unless you expect them to cover only that country. If you have the right kind of men they will know there better than you do here when a given territory is properly covered. The trade abroad is full of men sitting around the lobby smoking big black cigars, waiting for a steamer to sail, and when you say to them: "What is the matter, boys, aren't you attending to anything?" they say, "I finished a month ago, but the Firm says I have to stay here until May 1." That is what I mean.

Here is another one, gentlemen: Do not expect your salesmen, no matter how clever, to sell your goods if the goods are not suited to the export market. I suppose that has been said no less than a hundred times during these sessions.

If an English salesman came over here and tried to sell the standard English shirt, which Mr. Coleman over there knows so well, as do many of you, and which is made so that you have to pull it over your head, he could not get a haberdasher here to buy it. He would want a coat shirt. And if the salesman couldn't talk coat shirts, he couldn't talk business.

There are certain things that a scientific and skillfully trained salesman can do, but salesmanship cannot do that sort of thing—that is, introduce goods that are absolutely unfitted for the market which you are trying to develop.

One thing more: Never write sharp or intemperate letters to your clients abroad. In the first place they do not understand such letters, and in the second place they do not want to. (Laughter.) Besides, that sort of thing keeps your salesmen doing more apologizing than a club-footed dancer on a crowded floor. (Laughter.)

If you send a man abroad and he does not do business, or you circularize the export field and you do not get returns, do not conclude forthwith that you cannot do business there. Your man may not have been the right man, and your letter may not have been the right kind of letter.

Use the same common sense, as I said at the outset, in developing your export business that you do in developing your domestic business.

Now let me say that to any American who has for years been in the selling game in many countries of the world, who has seen what can be done even in ordinary times, without the advantage that a great war has logically thrown in our way, the great problem, the supreme problem in his mind, is why more American manufacturers do not go after export business.

Germany needed no war-created opportunity to develop a big business. But we have, in addition to the trade that has always been there for us if we wanted to go after it, the advantage of this war; and that is the supreme question in every salesman's mind: why more men are not interested in it.

I claim that there is no finer, cleaner, more profitable or satisfactory business, gentlemen, than the export business, than that which the merchants of other countries send you.

I want to say that whatever I have today of breadth of vision in international commercial matters, of patience and tolerance in dealing with business men today on this side, I owe in very large measure to the kindly influence and the tolerance of my splendid friends across the sea; and I am glad that I have had this opportunity to express, even so poorly, a sentiment that lies so deep and permanent in my heart.

I am filled with the spirit of the export trade. I love to do business with the big importing houses of the world. I have yet to find an unpleasant experience with any of them, and I know that when the day comes when we can better understand one another and realize that, after all, the race is one, with fundamental interests identical, we will usher in the millennium.

I thank you. (Great applause.)

THE CHAIRMAN: The report of the Committee on Recommendations is next in order.

MR. COWLES: Before you have the report from the Committee on Resolutions, Mr. Chairman—

THE CHAIRMAN: But that is the next business in order, Mr. Cowles.

Gentlemen, at the session yesterday the Committee on Recommendations was appointed, and that Committee, I understand, is now ready to report. Assuming that it is your pleasure I will now introduce the chairman of that Committee, Captain White, who will make his report.

Report of Committee on Recommendations

CAPT. WHITE: Gentlemen, in presenting the recommendations the Committee had also in mind a vote of appreciation to the President and the organization of this Association for their painstaking care and trouble in bringing about this Conference. It is one of the most important subjects that the Association has ever taken up, and its first meeting promises a splendid future along the same lines.

Mr. President, I have the pleasure of presenting the following recommendations.

THE CHAIRMAN: The Secretary will read the recommendations of the Committee.

MR. BENNEY: The first recommendation, gentlemen, is as follows:

First: Whereas, the success of this Conference has demonstrated its value to the members of the National Association of Manufacturers, particularly through the participation therein of representatives from foreign trade bodies and governments, it is recommended that such meetings be continued, to take place annually and to be held in New York City during the months of November, December, as the President of this Association may direct; and that invitation to participation therein be extended to commercial representatives of foreign governments in the United States and to foreign trade bodies.

THE CHAIRMAN: Gentlemen, you have heard the first recommendation of the Committee. I think it is the proper subject of discussion and vote. What is your pleasure with reference to it? A motion to adopt it, if such should be your pleasure, is now in order.

MR. IVERSON: I move that the recommendation be adopted, Mr. Chairman.

DR. KRYSHTOFOVICH: I second the motion, Mr. Chairman.

THE CHAIRMAN: The motion is that this recommendation be adopted as the sense of this Conference. Are you ready for the question, gentlemen? Those in favor of the motion will say "Aye." (After a pause.) Those opposed will say "No."

The motion is carried unanimously, and the recommendation of the Committee is adopted.

MR. BENNEY: The second recommendation is as follows:

Second: As it is essential for the development and extension of reciprocal trade relations between the United States and

other countries that an adequate system of transportation facilities be provided, the Committee recommends the increase of the American mercantile marine for the purposes of foreign trade.

THE CHAIRMAN: You have heard this recommendation, gentlemen, which is an important one that has been before us for a long time, a sufficient time in order to warrant its full consideration, and I have no doubt you are ready to give expression by your vote upon that subject.

MR. FARQUHAR: We all recognize the importance of the increase. We do not say how, of course.

THE CHAIRMAN: A motion to adopt this recommendation would be in order. Do I hear such a motion?

MR. PROSKAUER: I move its adoption.

MR. IVERSON: I second the motion.

CAPT. WHITE: May I say a word, Mr. Chairman?

THE CHAIRMAN: Captain White.

CAPT. WHITE: I wish to invite the attention of the Association to the fact that this recommendation has been made not only by the members of this Association but by the gentlemen present from foreign countries, showing their interest in the development of the American merchant marine. (Applause.)

THE CHAIRMAN: The ship goes both ways.

MR. IVERSON: May I ask Captain White one question, Mr. Chairman?

THE CHAIRMAN: Certainly.

MR. IVERSON: Was it the Committee's object just to present the recommendation and let it die there, or shall we press it a little further?

CAPT. WHITE: The recommendation was presented by the Committee for the Association to vote on as it saw fit, with any such tag as they might desire to put on it. We only fathered the recommendation. You may put a tag on it, if you wish.

MR. IVERSON: If the Committee will consider a tag on it, I would offer an amendment to be added to it, that the recommendation be forwarded to the Congress of the United States now in session, especially to the Committee on Merchant Marine.

CAPT. WHITE: There is no objection, so far as the Committee is concerned in regard to forwarding these things, but it is not the province of the Committee, which is composed of men representing foreign trade bodies, to make such recommendations. The action of the Association is something that we have no con-

trol over; and we cannot add to our recommendation, because it would not be within our province.

MR. IVERSON: I fully appreciate that, but I thought possibly this Conference would desire to take such action.

MR. FARQUHAR: That should be a recommendation of yours, following action upon the report of the Committee.

MR. IVERSON: I only wanted to get action on it. That was all. If we do not take some action on it we will never get to it.

CAPT. WHITE: A resolution might be offered.

MR. IVERSON: No resolution, I believe, is in order.

THE CHAIRMAN: With the consent of the mover we will put the motion on the recommendation of the Committee first, and then he can introduce a motion afterwards on the basis of an amendment.

Gentlemen, you have heard the motion that this Conference adopt the recommendation of the Committee which has been read to you. Are you ready for the question?

Those in favor of the motion will say "Aye."

Those opposed "No."

The motion is unanimously carried, and the recommendation of the Committee is adopted.

Now, if you wish to make an additional motion, Mr. Iverson.

MR. IVERSON: I should like to make an additional motion that the recommendation be forwarded by the Conference to the Congress of the United States, to the proper committee, now in session, to consider such recommendation.

THE CHAIRMAN: I hear no second to the motion. Is it seconded?

MR. COWLES: I second the motion.

THE CHAIRMAN: You have heard the motion, gentlemen. Are you ready for the question?

All in favor of this motion will say "Aye."

Those opposed will say "No."

I think the motion is lost. Is a division desired?

MR. IVERSON: I will leave that to the discretion of the Chair.

THE CHAIRMAN: I think, perhaps, under the circumstances, the preferable way would be to refer the recommendation to the National Association of Manufacturers and let them take such action on the recommendation as they think best.

MR. IVERSON: I am perfectly willing to substitute that, Mr. Chairman.

THE CHAIRMAN: Unless there is some objection to that, that will be the course we will take, then.

Are there any further recommendations, Mr. Secretary?

MR. BENNEY: The third recommendation of the Committee is as follows:

Third: As it is essential for the successful development of foreign trade relations that banking facilities for foreign countries be established, the Committee recommends that immediate effort be made to further develop such facilities. The Committee also recommends especial attention to the papers that have been presented at this Conference regarding banks, banking facilities, foreign investments, and, especially, those regarding the extension of foreign credits.

THE CHAIRMAN: Gentlemen, what is your pleasure with this recommendation of the Committee? Is it your pleasure to adopt it? If so, a motion to do so would be in order.

MR. FARQUHAR: I move the adoption of the recommendation of the Committee.

MR. MONTT: I second the motion.

THE CHAIRMAN: Gentlemen, you have heard the motion.

All in favor of this motion will say "Aye."

Those opposed will say "No."

The motion is unanimously carried, and the recommendation of the Committee is adopted.

Does this complete the recommendations of the Committee, Mr. Secretary?

MR. BENNEY: There is one more.

Fourth: The Committee recommends that the Association offer its services to adjust differences which may arise between its members and their customers abroad, especially in the interpretation of documents, forms and technical terms, and that standard terms, nomenclature and forms be compiled with reference to each foreign country according to its laws and customs, and that information in regard to such standards be provided for our members, all American consular offices and foreign trade bodies.

MR. BENNEY (continuing): May I say a word there?

THE CHAIRMAN: Mr. Benney desires to say a word in connection with this recommendation.

MR. BENNEY: The first part of that recommendation, gentlemen, has been to some degree done for many years by the Association. Our Foreign Trade Department has offered its services, not in a very formal manner, but incidentally here and there,

to business houses abroad who have had disputes with our members or even non-members, and in a number of cases these disputes have been taken up by us and adjusted amicably.

CAPT. WHITE: The Committee simply made that recommendation that such knowledge might be universal rather than particular.

THE CHAIRMAN: Gentlemen, what is your pleasure as to this recommendation by your Committee? A motion to adopt it is in order. The Chair does not hear such a motion.

MR. IVERSON: I move the adoption of the recommendation of the Committee.

MR. FARQUHAR: I second the motion.

THE CHAIRMAN: Those in favor of this motion will please say "Aye." Those opposed "No."

(The motion was unanimously carried.)

The recommendation of the Committee is adopted.

MR. BENNEY: I believe the Chairman of the Committee wishes to have the names of the gentlemen who put their names to these recommendations spread upon the record. Do you wish me to read them?

CAPTAIN WHITE: If you please.

THE CHAIRMAN: At the request of the Chairman of the Committee the names of the members of the Committee who have taken part in the discussions that have resulted in these recommendations will be read.

CAPTAIN WHITE: Excuse me, Mr. Chairman. There is still one recommendation that was omitted.

MR. BENNEY: This will be the fifth:

Fifth: It is recommended that reports of the proceedings of this Conference be sent:

To Governments, Chambers of Commerce and Boards of Trade of the countries which have participated in this Conference;

To all American Consular offices; and

To such other bodies which may be interested in participating in future Conferences.

THE CHAIRMAN: Gentlemen, you have heard this recommendation. It just occurs to the Chair that that carries with it a necessary expenditure of a considerable sum of money, and I do not see how this body can make provision for the expense that would be involved in doing that. I assume, however, that

we can accept the recommendation as being one to the National Association, if it sees a way to carry it out.

CAPTAIN WHITE: Exactly.

THE CHAIRMAN: We can always make a resolution to spend some other fellow's money. (Laughter.)

All in favor of this recommendation will say "Aye."

MR. BENNEY: Colonel Pope has requested me to say that before this Conference actually began it had been practically agreed by officers of the Association that this should be done.

MR. PHILLIPS: Is the sense of that resolution that the transmission of the report of this Conference be simply to those countries which have been represented here or have in some way participated? I do not know whether all have. But it may be that there are some which have not actually participated with which we might get into closer relations and be benefited by their receiving the reports.

THE CHAIRMAN: The sense of the recommendation, as the Chair gathers it, is that it refers to those who took part in the Conference. I assume, of course, that the Association will make such further and more extensive use of the reports as it may desire to promote the business of the Conference.

MR. FARQUHAR: If they are to pay the bills it should be left to them, I think, necessarily.

CAPTAIN WHITE: I might say the Committee on Recommendations was not informed as to what the Association might do. It was simply put in that form so that it would be called to the attention of the Association in order that it might do whatever it might regard as its duty in the matter.

THE CHAIRMAN: The Chairman recognizes what is well known, that the Association is one of business generosity as well as efficiency, and that all the steps which can possibly be taken to diffuse the information which has been brought forth at this very important Conference will be taken.

Gentlemen, are you ready for the question?

Those in favor of the motion will say "Aye."

Those opposed will say "No."

The motion is unanimously carried.

MR. BENNEY: The following members of the Committee appointed have participated in the work of the Committee:

Captain Wm. P. White, Lowell Paper Tube Corporation, Lowell, Mass. (*Chairman*).

Hon. P. E. Quinn, Deputy Trade Commissioner of New South Wales, Australia.

Leopold Perutz, of Schenker & Company, Vienna, Austria.

Eduardo Carrasco, Commercial Delegate of Chile.

Francisco Escobar, representing the Chamber of Commerce of Bogota, Colombia.

Baron Jacques de Neuflize, representing the Chamber of Commerce of Paris, France.

W. La Gro, of the Netherlands Trading Society, Amsterdam, Holland.

Count Dr. Riccardo Gatteschi, representing the Chamber of Commerce of Naples, Italy.

Alberto Falcon, representing the Chambers of Commerce of Lima and Arequipa, Peru.

A. B. Farquhar, representing the Chamber of Commerce of the United States of America, Washington, D. C.

E. G. Swift, of Parke, Davis & Company, Detroit, Mich.

George D. Selden, of the Erie City Iron Works, Erie, Pa.

Mark W. Selby, of the Selby Shoe Company, Portsmouth, O.

A. C. Hahn, of the Phoenix Chair Company, Sheboygan, Wis.

THE CHAIRMAN: Is there anything further from your Committee, Captain White?

CAPTAIN WHITE: Nothing further.

MR. COWLES: It might be well, Mr. Chairman, to add to the various recommendations a resolution to this effect:

"Resolved, that the President and Postmaster General be respectively requested to increase our foreign parcel post to the widest possible limits."

If you will allow me I would like to say about five words in reference to that.

THE CHAIRMAN: That, I should say, would have to be referred to the Committee on Recommendations for consideration before being presented to this body, Mr. Cowles.

CAPTAIN WHITE: I might suggest to the gentleman that with the increased American merchant marine that has been recommended by the Committee all such facilities, trade facilities, are, of course, understood to be included; so that our parcel post would be extended to foreign countries. You must remember this is a recommendation by a group of gentlemen who come from all countries.

MR. COWLES: Yes.

CAPTAIN WHITE: Therefore we are a little hesitant in making specific recommendations which relate to the action of the Government.

THE CHAIRMAN: I think that will cover Mr. Cowles' desire in the matter.

MR. COWLES: Could you allow me to say a word with reference to the foreign parcel post?

THE CHAIRMAN: It is not quite germane at this moment, Mr. Cowles.

We have, indeed, more than passed the time for the completion of the program of this Conference.

I just desire to say a word of thanks before surrendering the Chair to the President of the National Association of Manufacturers, who are the hosts of this Conference.

I am sure that I express the feeling of all those who have been privileged to attend these conferences as to the exceeding value that they have had. It has been especially agreeable to meet and to hear from the representatives of so many countries with which we are related to a greater or less extent, and to which we hope to be related commercially to a very much greater extent.

I am sure that in the exchange of views as to the promotion of our mutual business—because business can only be promoted when it is mutual—I am sure that in the exchange of the different views all of us, those from abroad and those from at home, will feel that the results of this Conference abundantly justify its calling, and our extending our thanks, as has already been done, to Mr. Benney and the National Association of Manufacturers. (Applause.)

Now, gentlemen, I will ask that the President of that Association take the Chair and bring the Conference to a conclusion. (Applause.)

PRESIDENT POPE: Gentlemen of the Conference: The National Association of Manufacturers thanks the delegates from abroad and from at home, members of the Association and all others who have taken part, for the success of this three-days Conference; for I call it a success, and I believe you will all agree with me.

The meetings have been fully attended during the entire three days and one evening of conference, and the interest has not lagged.

Adjournment of Conference

The remarkable set of papers and of talks that we have had will certainly make a volume of interest to the entire commercial world—and I mean the commercial world—to the banking fraternity, and, I believe, to our libraries and to our institutions of learning; for our educators occupying chairs relating to commercial life can learn much from the men who have given their lives to that work.

Therefore, I congratulate you all. There has been so much commercially educational said here that has been instructive, I believe, to all. Plain truths have been said so courteously and so nicely that the most sensitive mind in this republic of ours could certainly take no offense, but only be glad that those things had been said.

Another thing has impressed me very much, and that is that the generation in commercial life that is passing on need have no apprehension whatever as to the maintenance of its existence in our country, for the young men who have appeared before us in these three days have amply demonstrated their ability and their present grasp on affairs of our country; and to them we owe many thanks.

To attempt to summarize what has been done would be a long task for anyone, and you have heard so much and sat here so long that you do not want that. Therefore, gentlemen, again thanking you all, I declare this Conference adjourned. (Applause.)

(Whereupon, at 4:50 o'clock P.M., the Conference was adjourned *sine die*.)

COUNTRIES, ORGANIZATIONS AND COMPANIES
represented at the
INTERNATIONAL TRADE CONFERENCE

December 6-7-8, 1915

(with names of representatives)

AUSTRALIA:

Australian Cadets.....Perth
Lieut. J. J. Simons, Arthur Coyne, E. F. Shacklock
Frazer & Best, Ltd.....Sydney
Percy Roderick McLean
Government of New South Wales.....Sydney
P. E. Quinn

AUSTRIA:

Schenker & Company.....Vienna
Leopold Perutz

BELGIUM:

G. Kraticks.....Brussels

BRAZIL:

Brazilian Embassy.....Washington, D. C.
His Excellency Domicio da Gama, Ambassador
Brazilian Consulate-General.....New York
H. C. de Martins Pinheiro, Consul-General
Associação Commercial da Bahia.....Bahia
Antonio Carlos de Soveral
Camara de Comercio.....Bahia
Daniel Lindo
Guerin & Company.....Rio de Janeiro
M. J. Guerin
M. P. Thomas.....Rio de Janeiro

CANADA:

Canadian Bank of Commerce.....Toronto
J. P. Bell
Royal Bank of Canada.....Montreal
Norman G. Hart
J. B. MacLean.....Toronto

CHILE:

Government of Chile.....New York
Eduardo Carrasco, Commercial delegate

CHINA:

American Consulate-General.....Shanghai
Thomas Sammons, Consul-General
Fred Barton.....Shanghai

COLOMBIA:

Banco Central.....Bogota
Eduardo Correa
Banco Comercial de Barranquilla.....Barranquilla
Joseph F. Cosby, E. A. de Lima
Banco de Bogota.....Bogota
Agustin Nieto Caballero
Banco de la Mutualidad.....Bucaramanga
N. Martinez H.
Banco de Sucre.....Medellin
Eduardo Correa
Camara de Comercio.....Bogota
Agustin Nieto Caballero, Francisco Escobar
Camara de Comercio.....Cartagena
Raphael del Castillo, Diego Martinez, Esteban de
Pombo

COSTA RICA:

Banco Mercantil de Costa Rica.....San José
Jaime Rojas
Camara de Comercio de Costa Rica.....San José
Manuel Gonzalez Z.

International Trade Conference

CUBA:	
Camara de Comercio Industria y Navigacion de la Isla de Cuba.....	Havana
Octavio Zayas	
DENMARK:	
Aarbye & Lange.....	Copenhagen
E. Lange	
Russisk Handels Company.....	Copenhagen
K. A. Friis Hansen	
DOMINICAN REPUBLIC:	
Camara de Comercio, Industria y Agricultura.....	Santo Domingo
Francisco J. Peynado	
ECUADOR:	
Max Muller & Co.....	Guayaquil
Max Muller	
FRANCE:	
American Chamber of Commerce.....	Paris
W. G. P. Hollingsworth, Charles Shoninger	
Banque Franco-Japonaise.....	Paris
Henri Fournel	
Banque Nationale de Crédit.....	Paris
M. Fibein	
Chamber of Commerce.....	Paris
Baron Jacques de Neufelize	
Comptoir National d'Escompte.....	Paris
Maurice Silvester	
French Department of Foreign Affairs.....	Paris
M. Heilman	
Tito Mazzoni.....	Paris
GREAT BRITAIN:	
Richard Mayer-Bacum.....	London
HOLLAND:	
Amsterdam Epl. Maatschappij.....	Amsterdam
E. M. Berendnes	
Amsterdam Ryting Maatschappij.....	Amsterdam
A. C. A. Perk	
Nederlandsche Handel-Maatschappij.....	Amsterdam
W. LaGro	
HONDURAS:	
Banco de Comercio.....	Tegucigalpa
Charles L. Parmelee	
INDIA:	
International Trading Company.....	Calcutta
Peter Borrowman	
Marshall & Company.....	Bombay
N. M. Marshall	
B. R. Ambedkar.....	Baroda
N. M. Bhatena.....	Bombay
R. R. Power.....	Baroda
J. A. Setna.....	Bombay
Bhai Suchet Singh.....	Ferozepore
ITALY:	
Italian Consulate-General.....	New York
Guido Rossati, Commercial Attaché	
American Chamber of Commerce.....	Milan
Charles F. Hauss, Carl L. Hauss	
Chamber of Commerce.....	Naples
Count Riccardo Gatteschi	
Chamber of Commerce.....	Rome
Dr. Albert C. Bonaschi	
Louis Donegani.....	Leghorn
D. E. Donegani	
JAPAN:	
Japanese Consulate-General.....	New York
M. Yagi	
Franco-Japanese Bank.....	Tokyo
Henri Fournel	
Kobe Commercial College.....	Kobe
B. Uchúke	
Shimidzu, Levi & Soriana.....	Yokohama
Raphael Z. Levi	

Countries, Organizations and Companies

NICARAGUA:

Nicaraguan Legation..... Washington, D. C.
 His Excellency Emiliano Chamorro, Minister
 Banco Nacional de Nicaragua..... Managua
 Alfred Meyer

NORWAY:

American Norwegian Chamber of Commerce..... Chicago, Ill.
 E. H. Hobe
 Chamber of Commerce..... Christiania
 Trygve Wettre
 Malsted Company..... Christiania
 A. R. Schirve

PANAMA:

Panama Association of Commerce..... Panama
 Joseph W. Heymann

PERSIA:

Imperial Persian Consulate-General..... New York
 H. H. Topakyan, Consul-General
 Herant M. Kiretchjian, Secretary

PERU:

Peruvian Legation..... Washington, D. C.
 His Excellency Federico Alfonso Pezet, Minister
 Banco del Peru y Londres..... Lima
 R. L. Beausire
 Camara de Comercio..... Arequipa
 Alberto Falcon
 Camara de Comercio..... Lima
 Eduardo Higginson, Alberto Falcon
 Rodrigo Zarate..... Lima

PHILIPPINE ISLANDS:

Manila Merchants Association..... Manila
 Martin Egan, Charles M. Swift
 A. N. Jureidini & Bros..... Cebu
 Elie K. Jureidini

PORTO RICO:

Chamber of Commerce of Porto Rico..... San Juan
 Arthur M. Lamport

PORTUGAL:

Associação Commercial..... Oporto
 Wilfred H. Schoff

RUSSIA:

Russian Embassy..... Washington, D. C.
 C. J. Medzikhovsky, Commercial Attaché
 Russian Ministry of Agriculture..... Petrograd
 Dr. Theo. Kryshstofovich, Miss E. Melick-Beglaroff
 Russian Agricultural Society..... Moscow
 Michael J. Imchanitzky
 Russian-American Chamber of Commerce..... Moscow
 Alexander W. Behr
 Russian Association of Commerce and Industry..... Moscow
 A. S. Postnikoff
 Russo-American Commercial Company..... New York
 H. R. Cremer
 E. Heyde & E. von Schulz..... Moscow
 Emil von Schulz
 Henry A. Lehrs..... Moscow
 John A. Lehrs
 Geo. J. Sosnawski..... Warsaw

SERBIA:

Dushan Opachich..... Belgrade

SPAIN:

Spanish Consulate-General..... New York
 F. Javier Salas, Francisco Blanco
 Centro de Información Comercial del Ministerio de
 Estado..... Madrid
 F. Javier Salas
 Hijos de Antonio Feliu..... Barcelona
 James Bragado
 L. F. Solorzano..... Barcelona

International Trade Conference

SWEDEN:

General Export Association of Sweden.....Stockholm
 John Aspegren
 Swedish Chamber of Commerce of U. S. A.....New York
 John Lokrantz

SWITZERLAND:

Swiss Consulate.....New York
 Louis H. Junod, Consul, Frederick Oederlein
 Chamber of Commerce.....Basel
 Alfred Vondermuhll
 Chamber of Commerce.....Zurich
 Frederick Oederlin

TURKEY:

American Chamber of Commerce for the Levant.....Constantinople
 J. Wylie Brown
 Robert C. Rindelaub.....Constantinople
 Robert C. Rindelaub

UNITED STATES OF AMERICA:

Organization or Company.	Address.	Representative.
Aeolian Company.....	New York.....	L. A. Goldsmith (Miss)
Ajax Grieb Rubber Company.....	New York.....	John A. Moore
Allegheny Steel Company.....	Pittsburgh, Pa.....	C. C. McLean
Alexander Brothers.....	Philadelphia, Pa.....	James H. Bayi, W. H. Trump
Allen & Company, S. L.....	Philadelphia, Pa.....	E. W. Burt, Edward L. Richie
Allentown Portland Cement Co..	Allentown, Pa.....	C. R. Rinehart
American Adding Machine Co....	Richmond, Ind.....	James A. Carr
American Anti-Intervention Ass'n.	San Antonio, Tex.....	Wm. Teitelbaum
American Ass'n of Refrigeration..	Chicago, Ill.....	H. Dannenbaum, J. F. Nickerson
American Belting Companies.....	Baltimore, Md.....	Geo. D. Iverson, Jr.
American Cotton Oil Co.....	New York.....	Joseph G. Gash
American Ever Ready Works.....	L. I. City, N. Y.....	F. S. Phillips
"American Exporter".....	New York.....	B. Olney Hough
American Exporters & Importers Association.....	New York.....	C. E. Barry
American Express Company.....	New York.....	Donald Prothingham
American Hardware Corporation..	New York.....	Geo. F. Taylor
"American Industries".....	New York.....	F. W. Keough, H. L. Allen
American Locomotive Sales Corp'n.	New York.....	Chas. M. Muchnic
American Mfrs. Export Ass'n.....	New York.....	E. V. Douglas, M. A. Oudin
American Pad & Paper Co.....	New York.....	F. S. Bradford
"American Paint & Oil Dealer"...	St. Louis, Mo.....	Allen W. Clark
American Rolling Mill Co.....	Middletown, O.....	L. J. Lewery
American Saw & Mfg. Co.....	Springfield, Mass.....	Edward A. Judge
American Society of Heating and Ventilating Engineers.....	New York.....	J. J. Blackmore, James A. Donnelly
American Stove Co.....	St. Louis, Mo.....	Irvin W. Peffly, Carroll S. Rogers
American Type Founders Co.....	Jersey City, N. J.....	Constant Southworth
American Vulcanized Fibre Co...	Wilmington, Del.....	H. M. Grant
Ansonia Electrical Co.....	Ansonia, Conn.....	Robert J. Smyth
Ansonia O. & C. Co.....	Ansonia, Conn.....	W. F. Fassett
Art Metal Construction Co.....	Jamestown, N. Y.....	H. C. Chadwick
Ass'n of American Portland Cement Manufacturers.....	Philadelphia, Pa.....	Percy H. Wilson, Ernest R. Ackerman, Arthur W. Kelly
Atkin & Company, E. C.....	Indianapolis, Ind.....	Nelson A. Gladding, Henry Walton
Atlas Portland Cement Co.....	New York.....	Frank B. McKenna, J. F. Meyer, John A. Upshur
Aurora Laboratories Company....	Aurora, Ill.....	C. D. Downer
Babson's Statistical Organization.	Wellesley Hills, Mass. D.	G. Montt
Baker Printing Company.....	Newark, N. J.....	S. R. Baker
Ballantine & Sons, P.....	Newark, N. J.....	Charles Ashmun

Countries, Organizations and Companies

<i>Organization or Company.</i>	<i>Address.</i>	<i>Representative.</i>
Bancroft & Sons Co., Joseph.....	Wilmington, Del.....	Chas. A. Bamberger, Harry W. Roberts
Bateman Manufacturing Co.....	Grenloch, N. J.....	Fred H. Bateman
Beaver Board Company.....	Buffalo, N. Y.....	Wm. F. Buckley, R. G. Burns
Beckwith-Chandler Company.....	New York.....	R. R. Kelly
Benjamin & Johnes.....	Newark, N. J.....	Chas. B. Johnes
Bessemer Gas Engine Company.....	New York.....	J. W. Macartney
Billings & Spencer Company.....	Hartford, Conn.....	Lewis D. Parker
Binney & Smith.....	New York.....	E. S. Finch, Jr., H. F. Heckendorn, A. F. Kit- chel, M. B. Rehse
Bishop Gutta Percha Co.....	New York.....	Henry D. Reed
Bjelland & Company, Chr.....	New York.....	Chr. Williamsen
Blanchard Company, Isaac H.....	New York.....	J. Cliff Blanchard
Board of Foreign Missions of the Methodist Episcopal Church.....	New York.....	I. W. Glasel, C. C. Miles, Lawrence H. Rich
Board of Trade (Maine State).....	Bangor, Me.....	Geo. L. Crosman, Louis B. Goodall
Board of Trade.....	Easton, Pa.....	Thomas A. H. Hay
Board of Trade.....	Little Rock, Ark.....	Theo. H. Price
Board of Trade.....	Louisville, Ky.....	Percy H. Johnston
Board of Trade.....	Passaic, N. J.....	F. F. Uehling
Board of Trade.....	Springfield, Mass.....	E. C. Spear
Bond & Goodwin.....	New York.....	R. E. Crompton, Harry W. Roper
Bonner & Barnewall, Inc.....	New York.....	C. M. Vail
"Boot and Shoe Recorder".....	Boston, Mass.....	S. S. Brill
Bostwick, L. C.....	New York.....	
Bowser & Company, S. F.....	Fort Wayne, Ind.....	R. G. Shulze
Bradstreet Company.....	New York.....	Edward S. Strobhar
Bridgeport Hardware Mfg. Corp'n.....	Bridgeport, Conn.....	Harry B. Curtis, W. F. Hobbs
Bristol-Myers Company.....	Brooklyn, N. Y.....	W. L. Borner, G. Bowski
Brown Brothers & Company.....	New York.....	John R. Currier, W. N. Hardy, Jason A. Neil- son
Brown Son & Company, W. H.....	New York.....	M. W. Ryan
Brown Export Company.....	New York.....	S. Britton
Bureau of Foreign and Domestic Commerce.....	Washington, D. C.....	Dr. E. E. Pratt
Bureau of Foreign and Domestic Commerce (branch).....	New York.....	E. C. Porter, Albert J. Barnaud, Louis Naetz- ker, P. J. Stevenson
B. V. D. Company.....	New York.....	Will L. Smith
Calculagraph Company.....	New York.....	Henry Abbott
Capewell Horse Nail Company.....	Hartford, Conn.....	L. L. Gaylord
Carter's Ink Company.....	Boston, Mass.....	Walter F. Wyman, O. T. Erickson
Celfor Tool Company.....	Buchanan, Mich.....	M. L. Hanlin
Chamber of Commerce.....	Cleveland, O.....	F. L. Roberts
Chamber of Commerce.....	Milwaukee, Wis.....	W. P. Bishop
Chamber of Commerce.....	New Haven, Conn.....	H. L. Sargent
Chamber of Commerce.....	Portland, Me.....	Geo. L. Crosman
Chamber of Commerce.....	Richmond, Va.....	J. Scott Parrish
Chamber of Commerce.....	Rochester, N. Y.....	D. E. Delgado
Chamber of Commerce.....	Syracuse, N. Y.....	J. W. Brooks
Chamber of Commerce.....	Wilmington, Del.....	Thos. H. Stirling
Chamber of Commerce of the U. S.....	Washington, D. C.....	A. B. Farquhar
Chattanooga Mfrs. Ass'n.....	Chattanooga, Tenn.....	C. H. Huston, John L. Newkirk, Jr.
Cheney Bigelow Wire Works.....	Springfield, Mass.....	E. C. Spear
Chicago, Milwaukee & St. Paul Ry.....	New York.....	W. W. Hall
Columbia Mills, Inc.....	New York.....	I. G. Cooley, W. H. McDonald
Comas Cigarette Machine Co.....	Salem, Va.....	F. V. N. Painter
Compania Comercial Latina- Americana.....	New York.....	Theo. M. May

International Trade Conference

<i>Organization or Company.</i>	<i>Address.</i>	<i>Representative.</i>
Commercial Museum.....	Philadelphia, Pa.....	Dudley Bartlett, Wilfred H. Schoff, Geo. C. Gibson
Compton Shear Company, W. H.....	Newark, N. J.....	Arthur L. Myers
Computing-Tabulating-Recording Company.....	New York.....	R. L. Houston, Gershom Smith
"Continental".....	New York.....	Hector T. Casaus, M. J. Sierra
Corona Typewriter Company, Inc.....	Groton, N. Y.....	C. F. Brown
Cotton Goods Export Ass'n.....	New York.....	Howard Ayres
Crescent Garter Company.....	New York.....	Louis Reibstein, Robert Reibstein
Crex Carpet Company.....	New York.....	C. J. Bunbury
Crosman & Sons Company, G. A.....	Portland, Me.....	Geo. L. Crosman
Crown Cork & Seal Company.....	Baltimore, Md.....	W. F. Pilcher
Czesznak, Steven de, Inc.....	New York.....	Steven de Czesznak, Geo. C. Vedder
Davis-Bournonville Company.....	Jersey City, N. J.....	Chas. F. Gessert, F. C. Whitney, C. B. Wortham
Dayton Mfg. Company.....	Dayton, O.....	John Kirby, Jr.
Department of Commerce.....	Washington, D. C.....	Dr. E. E. Pratt, Jas. F. Ferguson
Department of State.....	Washington, D. C.....	Hon. W. B. Fleming
Dentists' Supply Company.....	York, Pa.....	G. H. Whittley
Detroit Stove Works.....	Detroit, Mich.....	H. D. Schall
Detroit Sulphite Pulp & Paper Co.....	Detroit, Mich.....	F. H. MacPherson
Detroit Twist Drill Company.....	Detroit, Mich.....	Halsted Little, M. B. Snow
Devlin Mfg. Company, Thomas.....	Philadelphia, Pa.....	M. B. Haspel, Louis J. McGrath
Diamond Crystal Salt Company.....	St. Clair, Mich.....	Henry Whiting, Rudolph Fiala
Dixon Crucible Company, Jos.....	Jersey City, N. J.....	Geo. E. Long
"Dry Goods Economist".....	New York.....	S. H. Ditchett, B. Hastings, A. C. Pearson
Dun & Company, R. G.....	New York.....	C. A. Green
"Dun's Review".....	New York.....	C. M. Wilson
Dwight & Lloyd Sintering Co.....	New York.....	Jos. C. Benson
Earl & Wilson.....	New York.....	Robt. N. King
Eastman Kodak Company.....	Rochester, N. Y.....	D. E. Delgado
"El Comercio".....	New York.....	N. R. Barrett, R. G. Meggy
Electric Wheel Company.....	Quincy, Ill.....	Ira R. Calkins, A. E. Zoller
Empire Rubber & Tire Company.....	Trenton, N. J.....	Thos. O. Callaghan, Jr.
Erie City Iron Works.....	Erie, Pa.....	Geo. D. Selden
Esterbrook Steel Pen Co.....	New York.....	Wm. I. Halsey, Ellwood Kenney
Excelsior Shoe Company.....	Portsmouth, O.....	J. W. Bannon, Jr.
"Export American Industries".....	New York.....	H. R. Hazard, S. Lassner, F. J. Lowe, H. M. Wood
Faber, Eberhard.....	Brooklyn, N. Y.....	Edward E. Huber
Fay & Egan Company, J. A.....	Cincinnati, O.....	Major Andrew W. Feuss
Fearon, Brown Company.....	New York.....	F. E. Green
Federal Motor Truck Company.....	Detroit, Mich.....	R. M. Lockwood
Federal Trade Commission.....	Washington, D. C.....	D. A. Morrow, David L. Wing
Federal Utilities, Inc.....	New York.....	Geo. C. Galliver
Ferracute Machine Company.....	Bridgeton, N. J.....	Enos Paulin
First National Bank of Boston.....	Boston, Mass.....	F. Abbot Goodhue
First National Bank of Milwaukee.....	Milwaukee, Wis.....	E. J. Hughes
First Carpet Company.....	Firthcliffe, N. Y.....	Fred Booth
Fisher, A. M.....	Washington, D. C.....	
Fisher & Norris.....	Trenton, N. J.....	Lieut. and Mrs. Andrew Fisk
Fisk & Sons, Harvey.....	New York.....	Harold E. Fisk, Jr.
Firestone Tire & Rubber Co.....	Akron, O.....	R. J. Firestone, C. O. Brandes, E. C. Knox, R. M. McConnell, A. G. Partridge, J. G. Robertson, Dan C. Swander

Countries, Organizations and Companies

<i>Organization or Company.</i>	<i>Address.</i>	<i>Representative.</i>
Flagg & Company, Stanley G.	Philadelphia, Pa.	Stanley G. Flagg, Jr., A. L. Ceyelin
Ford & Company, R. M.	New York.	C. S. Snider
Ford Motor Company.	Detroit, Mich.	E. C. Sherman
Foreign Trade Service, Inc.	New York.	E. T. Simondetti
Franklin Electric Mfg. Co.	Hartford, Conn.	Jno. W. Morrell, J. A. Butler, Jonathan Camp
Fraser, Turk & Myers.	New York.	C. K. Fraser
French & Ward.	New York.	G. Liggett (Miss)
Fuller Engineering Company.	New York.	C. R. Rinehart
Garfield & Company.	New York.	J. B. Garfield
Gaston, Williams & Wigmore, Inc.	New York.	Joseph J. Keegan, H. J. Rosencrantz
General Electric Company.	New York.	M. A. Oudin
General Motors Truck Co.	New York.	Geo. F. W. Poggenburg
Gerhard & Hey, Inc.	New York.	H. E. Reeve
Gilbert Clock Co., William L.	Winsted, Conn.	H. L. Slauson
Gill Bros. Company.	Steubenville, O.	John Beiswanger
Goodrich Company, B. F.	Akron, O.	E. C. Shaw
Goodrich & Company, Wm.	Milwaukee, Wis.	Wm. O. Goodrich
Goodyear Tire & Rubber Co.	Akron, O.	T. L. Coleman, J. C. MacFadyear
Grace & Company, W. R.	New York.	John P. Caswell
Gregg Company, The.	Hackensack, N. J.	L. D. Gregg
Greene, Tweed & Company.	New York.	H. S. Demarest
Guaranty Trust Company.	New York.	J. Santilhana, George von Seebeck, George Weston
Guiterman, Rosenfeld & Company.	New York.	P. L. Guiterman
Gurley, W. & L. E.	Troy, N. Y.	H. M. Dibert
Hagy Waste Works, J. Milton.	Philadelphia, Pa.	Edw. Laterman
Haines, Robert F.	Brooklyn, N. Y.	
Harbison-Walker Refractories Co.	Pittsburgh, Pa.	Hamilton Stewart
"Hardware Age"	New York.	E. H. Darville
Haviland Shade Roller Co.	New York.	E. F. Haviland
Hay & Sossidi.	New York.	N. J. Sossidi
Hayden, Miller & Company.	Cleveland, O.	Lewis B. Williams
Haynes Auto Company.	New York.	E. E. Bloom
Heide, Henry.	New York.	Henry Heide, Henry Heide, Jr., Geo. G. Eberhardt
Heisey & Company, A. H.	Newark, O.	A. H. Heisey
Hill Publishing Company.	New York.	Mason Britton
Hodenpyl Hardy & Co., Inc.	New York.	Gilbert B. Bogart
Hoggson & Pettis Mfg. Co.	New Haven, Conn.	Harry B. Kennedy
Huddleston Marsh Mahogany Co.	New York.	R. S. Huddleston
Hudson Motor Car Company.	Detroit, Mich.	John A. Olt
Hydraulic Pressed Steel Co.	Cleveland, O.	O. P. Stehn
Illinois Manufacturers Ass'n.	Chicago, Ill.	R. P. Lamont, Chester N. Stevens
Ingersoll & Bro., Robt. H.	New York.	H. T. O'Connor, R. A. Piatt
Ingersoll Milling Machine Co.	Rockford, Ill.	Winthrop Ingersoll
International Acheson Graphite Co.	Niagara Falls, N. Y.	Acheson Smith, Frank N. Coe
International Steam Pump Co.	New York.	F. H. Jones
Interwoven Mills, Inc.	New Brunswick, N. J.	C. S. Van Winkle
Iowa Warehouse Company.	Waterloo, Ia.	P. U. Kessler
"Iron Trade Review"	New York.	C. J. Stark
Irving National Bank.	New York.	D. H. G. Penny
Jeffrey Manufacturing Company.	Columbus, O.	Malcolm D. Jeffrey
Johns Company, The.	New York.	R. I. Johns
Johns-Manville Company, H. W.	New York.	H. M. Shearer
Johnson & Johnson.	New Brunswick, N. J.	W. Bulloch, Chas. A. McCormick
"Journal of Commerce"	New York.	M. J. Hickey
Kelly Shoe Company.	Rochester, N. Y.	F. X. Kelly
Kern Commercial Company.	New York.	M. Greenebaum
Keyless Auto Clock Company.	New York.	J. F. Hennessey
Keystone Watch Case Company.	Philadelphia, Pa.	John F. Easley
King Motor Car Company.	New York.	W. R. Vogeler
Knapp, W. G.	New York.	James M. Morrow
Knight, Thomas L.	New York.	

International Trade Conference

<i>Organization or Company.</i>	<i>Address.</i>	<i>Representative.</i>
Kolynos Company, The.....	New Haven, Conn.....	Joseph A. Aedo
Koven & Brother, L. O.....	New York.....	L. O. Koven
Kranich & Bach.....	New York.....	Herbert Meldrum
"La Hacienda".....	Buffalo, N. Y.....	A. W. V. Bayard, F. G. Cooley
Lake Torpedo Boat Co.....	Bridgeport, Conn.....	Herbert S. Miller
Lakewood Engineering Company.....	Cleveland, O.....	D. L. Wadsworth
Lamson & Goodnow Mfg. Co.....	Shelburne Falls, Mass.....	J. W. Thurber
Lanston Monotype Machine Co.....	Philadelphia, Pa.....	I. F. Scheeler
"Las Americas".....	New York.....	Julius Moritzen
Lawrence Portland Cement Co.....	New York.....	Ernest R. Ackerman
Le Fevre Company, Josephine.....	Philadelphia, Pa.....	Geo. C. Krusen
Leeming Company, Thomas.....	New York.....	A. E. Leeman
Lehigh Car Wheel & Axle Works.....	Catasauqua, Pa.....	C. R. Rinehart
Lehigh Foundry.....	Catasauqua, Pa.....	C. R. Rinehart
Lembeck & Betz Eagle Brew'g Co.....	Jersey City, N. J.....	G. W. Lembeck
Lloyd Brasileiro.....	New York.....	Arnold Schott, Benedicto Vieira
Loeber Company, Henry G.....	New York.....	Henry G. Loeber
Lovell Manufacturing Company.....	New York.....	H. H. Burtis
Lowell Paper Tube Corporation.....	Lowell, Mass.....	Capt. Wm. P. White
McGraw Tire & Rubber Co.....	E. Palestine, O.....	E. A. Ward
Mallinckrodt Chemical Works.....	St. Louis, Mo.....	J. H. A. Fink
Manhattan Electric Supply Co.....	New York.....	W. F. Melka
Manufacturers Ass'n of N. J.....	Trenton, N. J.....	W. C. Billman
"Manufacturers' Record".....	Baltimore, Md.....	William Edwards
Marks & Clerk.....	New York.....	Albert E. Parker
Markt Hammacher & Company.....	New York.....	G. Vintschger
Mayor of the City of New York.....	New York.....	Hon. Geo. McAneny
Mercantile Bank of the Americas.....	New York.....	R. L. Beausire, Alfred Meyer, Jason A. Neilson
Merchants' Ass'n of New York.....	New York.....	Maurice Coster, Prof. Philip B. Kennedy, Lucius R. Eastman, Jr., Wm. H. Douglas, E. A. de Lima, W. H. Mahoney, Geo. H. Richards, G. Vintschger
Merchants' and Mrs.' Ass'n.....	Milwaukee, Wis.....	E. J. Hughes
Mexican Telegraph Company.....	New York.....	B. H. Reynolds
Michigan Bolt & Nut Works.....	Detroit, Mich.....	F. S. Bigler
Miller Lock Company.....	Philadelphia, Pa.....	William Ramsay
Minot, Hooper & Company.....	New York.....	Edward T. Pickard
Morse Twist Drill & Machine Co.....	New Bedford, Mass.....	P. I. Fletcher
Mosaic Tile Company.....	Zanesville, O.....	R. E. Jordan, H. A. Ritchings
Mott Iron Works, J. L.....	New York.....	H. C. Beith, Alfredo Miranda
Mueller Mfg. Company, H.....	Decatur, Ill.....	Adolph Mueller
Nash, Inc., Duane H.....	Millington, N. J.....	Duane H. Nash
National Ammonia Company.....	Philadelphia, Pa.....	H. Dannenbaum
National Ass'n of Credit Men.....	New York.....	J. H. Tregoe, Geo. J. Althen, Jas. D. Hopkins, James Matthews, Arthur L. Myers, C. E. Thomas
National Ass'n of Manufacturers.....	New York.....	Represented by its officers and a large number of its members from many States
National Ass'n of Manufacturers of Medicinal Products.....	Detroit, Mich.....	Chas. A. McCormick, Oscar W. Smith
National Ass'n of Master Steam & Hot Water Fitters.....	New York.....	Henry B. Gomers
National Bank of Commerce.....	New York.....	Harry P. Barrand, A. Hummel, J. E. Rovensky
National Carbon Company.....	Long Island City, N. Y.....	U. S. Kolby
National City Bank.....	New York.....	W. S. Kies, James Thatcher, Znamiecki Alexander

Countries, Organizations and Companies

<i>Organization or Company.</i>	<i>Address.</i>	<i>Representative.</i>
National Cloak & Suit Company	New York	F. W. Edgerton, H. W. Kirby
National Confectioners Ass'n.	Cincinnati, O.	Henry Heide, Jas. G. Shaw, Chas. Triller
National Council for Industrial Defense	Washington, D. C.	Jas. A. Emery
National Foreign Trade Council	New York	Chas. M. Muchnic, M. A. Oudin, Robt. H. Patchin, Daniel Warren
National Implement & Vehicle Association	Chicago, Ill.	Fred H. Bateman, A. B. Farquhar
National Lumber Exporters' Ass'n	Baltimore, Md.	R. S. Huddleston, Wm. K. Knox
National Marine League of U.S.A.	New York	P. H. W. Ross, C. W. Lee
National Merchant Marine Ass'n	New York	J. L. Ewell
National Shawmut Bank	Boston, Mass.	Benjamin Joy
National Surety Company	New York	Paul P. Marcone
National Trunk Mfrs. Ass'n	Cincinnati, O.	Phillip F. Hall
Nebraska Manufacturers Ass'n	Lincoln, Neb.	H. E. Gooch
Nevins Church Press Company	New York	Gilbert S. Topka
"Newark Evening News"	Newark, N. J.	Wm. F. Collins
New Haven Clock Company	New Haven, Conn.	S. J. Lower
New Jersey Lime Company	New York	W. P. Hardenburgh, Jr.
New Jersey Zinc Company	New York	T. A. Bennett
New York Board of Trade and Transportation	New York	Wm. McCarroll
"New York Evening World"	New York	John G. Holme
"New York World"	New York	E. Justice
Nicholas Power Company	New York	Arthur J. Lang
Nissen & Company, Ludwig	New York	Ludwig Nissen
Noel News Service	New York	J. V. Noel
North Carolina Pine Ass'n	Norfolk, Va.	Charles Hill, Geo. W. Jones
Norton Company	Worcester, Mass.	Clifford S. Anderson, Herbert A. Stanton, R. G. Williams
Ober Manufacturing Company	Chagrin Falls, O.	A. M. Ober
Ohio Paint Mfrs. Ass'n	Cincinnati, O.	Geo. Debevoise
Ohio Suspender Company	Mansfield, O.	H. W. Mateer
Ohio Valley Ordnance Co.	New York	Alden S. Condict
Olds Motor Works	Lansing, Mich.	Walter von Zimmerman
Oneita Knitting Mills	Utica, N. Y.	Andrew Frey
Orr & Sembower	New York	M. Aviles, C. H. Richard
Otis Elevator Company	New York	H. W. Burton
Owens Bottle Machine Co.	Toledo, O.	Geo. F. Hodeil
Packard Motor Car Company	New York	L. S. Doughty, Phillip Mann, I. J. Phelps
Pan-American Union	Washington, D. C.	W. P. Montgomery
Parke, Davis & Company	Detroit, Mich.	E. G. Swift, John J. Doran
Parker, Stearns & Company	Brooklyn, N. Y.	J. Russell Parker
Pass & Seymour, Inc.	Syracuse, N. Y.	John W. Brooks, L. John Bergman
Patton Paint Company	Newark, N. J.	Harold B. Gregory, Peter Moora, G. D. White, Fred A. Cass
Patterson-Sargent Company	New York	D. B. Dennis, J. N. Moore, J. C. Shaaff
Peabody & Company, Henry W.	New York	C. E. Barry, E. L. Richardson
Peck & Company, William E.	New York	Wm. E. Peck, Wm. C. Wulp
Peck & Hills Furniture Co.	New York	R. P. Brumbaugh
Pennsylvania Railroad Company	New York	Geo. D. Dixon, O. T. Boyd, D. M. Schraffer
Perfection Spring Company	Cleveland, O.	H. A. Goddard
Pfizer & Company, Inc., Chas.	New York	I. F. Hetherman
Phoenix Chair Company	Sheboygan, Wis.	A. C. Hahn
Pierce-Arrow Motor Car Co.	Buffalo, N. Y.	Lawrence H. Clarke
Pittsburgh Meter Company	E. Pittsburgh, Pa.	T. C. Clifford
Plant Company, Thomas G.	Boston, Mass.	F. R. Briggs, Jaime Ramos

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<i>Organization or Company.</i>	<i>Address.</i>	<i>Representative.</i>
Post & Flagg.....	New York.....	J. D. Gengler
Pratt Company, B. G.....	New York.....	B. G. Pratt
Prentiss Tool & Supply Co.....	New York.....	Henry Prentiss
Pusey & Jones Company.....	Wilmington, Del.....	Elbert H. Neese, Stirling H. Thomas
Ramapo Iron Works.....	New York.....	Fred W. Snow, Wm. Wait Snow
Read & Sons Company, Wm. F.....	New York.....	Wm. F. Read, Jr., R. L. McIntosh
Real Lace & Novelty Company..	New York.....	C. Willis
Remington Oil Engine Company.	Stamford, Conn.....	F. A. Rumpf
Remington Typewriter Company.	New York.....	Geo. H. Richards
Ricca & Son.....	New York.....	Hugo F. Ricca
Richmond Cedar Works.....	Richmond, Va.....	J. Scott Parrish
Robinson Clay Products Co.....	New York.....	L. I. Foster
Roessler & Hasslacher Chemical Co.	New York.....	P. Schlusser
Root Company, A. I.....	Medina, O.....	W. E. Thorndyke
Rosen & Company, A. W.....	New York.....	M. Epstein
Rubber Club of America.....	New York.....	Wm. G. Grieb, Henry D. Reed, J. Russell Parker
Russell Mfg. Co., The.....	Middletown, Conn.....	S. Russell, Jr., F. Acker Thompson
St. John & Company, H. W.....	New York.....	John H. Hunter
Safepack Paper Mills.....	Brockton, Mass.....	D. Goodman
Sargent & Company.....	New Haven, Conn.....	Henry B. Sargent
Scranton Supply & Machinery Co.	New York.....	W. H. Taylor
Scripps-Booth Company.....	New York.....	Hilaire J. Holder
Seabury & Johnson.....	New York.....	Leopold Croes
Seamless Rubber Company.....	New Haven, Conn.....	W. C. Hutton
Secretary of the Treasury.....	Washington, D. C.....	R. W. Woolley, Director of the Mint
Sefton Manufacturing Company..	Chicago, Ill.....	J. E. Clenny
Selby Shoe Company.....	Portsmouth, O.....	Mark W. Selby, J. G. Tavares
Sherwin-Williams Company.....	Cleveland, O.....	H. L. Gemberling
Simonds Mfg. Co.....	New York.....	O. O. Gallup
Simpson Sons & Company, Wm.	Philadelphia, Pa.....	Francis A. Webb
Smith, F. G.....	Brooklyn, N. Y.....	Frank G. Smith
South American Publishing Co...	New York.....	Wing B. Allen, Chas. P. King
Southern Railway Co. and Allied Lines.....	Chattanooga, Tenn.....	Chas. Lyon Chandler
Spartan Tire & Rubber Co., Inc.	New York.....	M. Coleman, Louis G. Garrigan, Harry S. Graft, O. J. Guzman
Standard Scale & Supply Co.....	New York.....	Jas E. Bryan
Standard Underground Cable Co.	Pittsburgh, Pa.....	Chas. J. Marsh
Stanley Works, The.....	New Britain, Conn.....	Edward H. Hart
Star Drilling Machine Company..	Akron, O.....	Chas. Robinson
Stillman Freckle Cream Co.....	Aurora, Ill.....	A. L. Bernard
Stone Printing & Mfg. Co.....	Roanoke, Va.....	Edward L. Stone
Strecker Bros. Company.....	Marietta, O.....	A. H. Strecker, B. F. Strecker
Swett Iron Works, A. L.....	Medina, N. Y.....	F. M. Poler
Tetlow Manufacturing Company.	Philadelphia, Pa.....	Clara Tetlow (Mrs.)
Thomas Iron Company, The.....	Easton, Pa.....	Elbridge Walker, Willard M. Wright
Trenton Potteries Company.....	Trenton, N. J.....	John A. Campbell
Triumph Electric Company.....	Cincinnati, O.....	J. S. Louis
Trunk Manufacturer's Ass'n.....	Cincinnati, O.....	I. Freedman
Union Carbide Sales Company...	New York.....	J. R. Crawford, G. C. Furness, R. G. Noble, H. Thompson
Union Drawn Steel Company...	Beaver Falls, Pa.....	Louis W. Williams
United Export Bureau.....	New York.....	Rodolfo Ried
United Fruit Company.....	New York.....	E. W. Hanabergh, B. J. O'Keefe, J. T. van Ripir
United States Mortgage & Trust Company.....	New York.....	A. Phillips

Countries, Organizations and Companies

<i>Organization or Company.</i>	<i>Address.</i>	<i>Representative.</i>
United States Rubber Export Co., Ltd.....	New York.....	John D. Clarke, John K. Coutant, W. H. Gallagher, Frederic L. Maxim, Wm. L. Procter, James Riera, John B. Tower
United States Steel Products Co.	New York.....	T. J. Digan, F. E. Nodocker, C. E. Thomas
Upson Nut Company.....	Cleveland, O.....	A. Schoonmaker
Valentine & Company.....	New York.....	N. T. Pulsifer
Vermont Unfading Green Slate Co.	Fair Haven, Vt.....	J. Pinckney H. Adams
Waite-Thresher Company.....	Providence, R. I.....	Wm. B. Peck
"Wall Street Journal".....	New York.....	J. P. Norton
Wanamaker, John.....	New York.....	Ralph Helmer
Welch Grape Juice Company.	Westfield, N. J.....	R. R. Pelton
Werner & Pfleiderer Company.	Saginaw, Mich.....	F. H. Banbury, E. Schiller
West Disinfecting Company.....	New York.....	Alfred Batch
Western Union Telegraph Co.	New York.....	Martin J. Brooks, P. J. Casey, C. B. McCann
Westinghouse Electric & Mfg. Co.	New York.....	Maurice Coster, F. A. Booth
Westinghouse Machine Company.	E. Pittsburgh, Pa.	Maurice Coster
White Dental Mfg. Co., S. S.	Philadelphia, Pa.	Geo. R. Coleman
White Rock Mineral Springs Co.	Waukesha, Wis.	J. W. Milroy, J. C. Watson
Whiting & Davis Company.....	Plainville, Mass.	B. S. Gardiner, W. L. Rice
Wiggin's Sons Company, H. B.	Bloomfield, N. J.	R. H. Wiggins
Wolverine Brass Works.	Grand Rapids, Mich.	L. A. Cornelius
Wood Drill Works.....	Paterson, N. J.	Pablo Homs
Wood Mosaic Company.....	Louisville, Ky.....	Wm. A. MacLean
Wood Shovel & Tool Company.	Piqua, O.	H. K. Wood, H. P. Belt
World Postal League.....	New York.....	James L. Cowles
"World's Work".....	New York.....	James R. Merriam
Yale & Towne Mfg. Company.	Stamford, Conn.	Walter C. Allen, Chas. W. Beaver, J. L. Thompson
Yawman & Erbe Mfg. Company.	Rochester, N. Y.	H. P. Rockwell, R. E. Rose

DELEGATES AND GUESTS

who attended the

INTERNATIONAL TRADE CONFERENCE

December 6-7-8, 1915

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Abbott, Henry	New York	Calculagraph Co.
Ackerman, Ernest R.	New York	Lawrence Portland Cement Co. Association of American Portland Cement Mfrs., Philadelphia, Pa.
Adams, J. Pinckney H.	Fairhaven, Vt.	Vermont Unfading Green Slate Co.
Aedo, Joseph A.	New Haven, Conn.	The Kolynos Co.
Aisenman, W.	New York	National Association of Mfrs.
Allen, H. D.	Detroit, Mich.	
Allen, H. L.	New York	National Association of Mfrs.
Allen, Walter C.	Stamford, Conn.	Yale & Towne Mfg. Co.
Allen, Wing B.	New York	South American Publishing Co.
Althen, George J.	New York	National Ass'n of Credit Men, Driver Harris Wire Co., Harrison, N. J.
Ambedkar, B. R.	Baroda, India	With N. M. Marshall, New York
Anderson, Clifford S.	Worcester, Mass.	Norton Company
Andrew, Lieutenant.	Trenton, N. J.	Fisher & Norris
Andrew, Mrs.	Trenton, N. J.	Fisher & Norris
Ashmun, Charles	Newark, N. J.	P. Ballantine & Sons
Aspegren, John	New York	General Export Association of Sweden, Stockholm, Sweden
Aviles, M.	New York	Orr & Sembower
Ayres, Howard	New York	Cotton Goods Export Association of New York
Baker, B. N.	Baltimore, Md.	
Baker, S. R.	Newark, N. J.	Baker Printing Company
Bamberger, Chas. A.	Wilmington, Del.	Jos. Bancroft & Sons Company
Banbury, F. H.	Saginaw, Mich.	Werner & Pfeleiderer Company
Bannon, J. W., Jr.	Portsmouth, O.	Excelsior Shoe Company
Barnaud, Albert J.	New York	Bureau of Foreign and Domestic Commerce
Barrand, Harry P.	New York	National Bank of Commerce
Barrett, N. R.	New York	"El Comercio"
Barry, C. E.	New York	Henry W. Peabody & Company American Exporters & Importers Association
Bartlett, Dudley	Philadelphia, Pa.	Philadelphia Commercial Museum
Barton, Fred	Shanghai, China	
Batch, Alfred	New York	West Disinfecting Company
Bateman, Fred H.	Grenloch, N. J.	Bateman Mfg. Co. National Implement & Vehicle Association, Chicago, Ill.
Bayard, A. W.	Buffalo, N. Y.	"La Hacienda"
Bayi, James H.	Philadelphia, Pa.	Alexander Brothers
Beausire, R. L.	New York	Mercantile Bank of the Americas, New York Banco del Peru y Londres, Lima, Peru
Beaver, Chas. W.	New York	Yale & Towne Mfg. Company
Beckwith, Holmes	New York	
Behr, Alexander W.	Moscow, Russia	Russian-American Chamber of Commerce
Beiswanger, John	Steubenville, O.	Gill Bros. Company
Beith, H. C.	New York	J. L. Mott Iron Works
Bell, James C., Jr.	New York	Columbia University
Bell, J. P.	New York	Candian Bank of Commerce, Toronto, Canada
Belt, H. P.	Piqua, O.	Wood Shovel & Tool Company
Bennett, T. A.	New York	New Jersey Zinc Company
Benney, William M.	New York	National Association of Mfrs.
Benson, Joseph C.	New York	Dwight & Lloyd Sintering Co.
Berendnes, E. M.	Amsterdam, Holland	Amsterdam Epl. My.

Delegates and Guests

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Bergman, L. John	Solvay, N. Y.	Pass & Seymour, Inc.
Bernard, A. L.	Aurora, Ill.	Stillman Freckle Cream Company
Bhatena, N. M.	Bombay, India.	With N. M. Marshall, New York
Bigler, F. S.	Detroit, Mich.	Michigan Bolt & Nut Works
Billman, W. C.	Trenton, N. J.	Manufacturers Association of New Jersey
Bird, J. P.	New York.	National Association of Mfrs.
Bishop, W. P.	Milwaukee, Wis.	Chamber of Commerce
Blackmore, J. J.	New York.	American Society of Heating & Ventilating Engineers
Blackwell, H. C.	New York.	N. M. Marshall
Blanchard, J. Cliff.	New York.	Isaac H. Blanchard Company
Blanco, Francisco.	New York.	Consulate-General of Spain
Bloom, E. E.	New York.	Haynes Auto Company
Bogart, Gilbert B.	New York.	Hodenpyl Hardy & Co., Inc.
Bomer, W. L.	Brooklyn, N. Y.	Bristol-Myers Company
Bonaschi, Dr. Albert C.	New York.	Italian Chamber of Commerce, New York
		Chamber of Commerce, Rome, Italy
Booth, Fred.	Firthcliffe, N. Y.	Firth Carpet Company
Booth, F. A.	New York.	Westinghouse Electric & Mfg. Co.
Borrowman, Peter.	New York.	International Trading Company, Calcutta, India
Bostwick, L. C.	New York.	
Bottino, William A.	New York.	National Association of Mfrs.
Boudinot, Geo. S.	New York.	National Association of Mfrs.
Bowski, G.	Brooklyn, N. Y.	Bristol-Myers Company
Boyd, O. T.	New York.	Pennsylvania R. R. Company
Boyer, A. E.	Cleveland, O.	
Bradford, H. S.	New York.	American Pad & Paper Company
Bragado, James.	Barcelona, Spain.	Hijos de Antonio Feliu
Brandes, C. O.	Akron, O.	Firestone Tire & Rubber Company
Briggs, F. R.	Boston, Mass.	Thos. G. Plant Company
Brill, S. S.	Boston, Mass.	"Boot & Shoe Recorder"
Britton, Mason.	New York.	Hill Publishing Company
Britton, S.	New York.	Brown Export Company
Brooks, John W.	Syracuse, N. Y.	Pass & Seymour, Inc.
		Syracuse Chamber of Commerce
Brooks, Martin J.	New York.	Western Union Telegraph Co.
Brown, C. F.	Groton, N. Y.	Corona Typewriter Company, Inc.
Brown, J. Wylie.	Constantinople, Turkey.	American Chamber of Commerce for the Levant
Brown, L. P.	New York.	
Brumbaugh, R. P.	New York.	Peck & Hills Furniture Company
Bryan, James E.	New York.	Standard Scale & Supply Co.
Buckley, William K.	Buffalo, N. Y.	Beaver Board Company
Bulloch, D. N.	New Brunswick, N. J.	Johnson & Johnson
Bunbury, C. J.	New York.	Crex Carpet Company
Burke, Harry.	New York.	National Association of Mfrs.
Burns, R. G.	Buffalo, N. Y.	Beaver Board Company
Burt, E. W.	Philadelphia, Pa.	S. L. Allen & Company
Burtis, H. H.	New York.	Lovell Mfg. Company, Erie, Pa.
Burton, H. W.	New York.	Otis Elevator Company
Butler, J. A.	Hartford, Conn.	Franklin Electric Mfg. Company
Caballero, Agustin Nieto.	Bogota, Colombia.	Camara de Comercio, Bogota, Colombia
		Banco de Bogota, Bogota, Colombia
Cagmy, T. Geo., Jr.	New York.	
Calkins, Ira R.	Quincy, Ill.	Electric Wheel Company
Camp, Jonathan.	Hartford, Conn.	Franklin Electric Mfg. Company
Campbell, John A.	Trenton, N. J.	The Trenton Potteries Company
Carr, James A.	Richmond, Ind.	American Adding Mch. Company
Carrasco, Eduardo.	New York.	
(Commercial delegate of Chile to the United States.)		
Casasus, Hector T.	New York.	"Continental"
Casey, P. J.	New York.	Western Union Telegraph Co.
Cass, Fred A.	Newark, N. J.	Patton Paint Company
Castillo, Raphael del.	New York.	Camara de Comercio de Cartagena, Colombia

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<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Caswell, John P.	New York.	W. R. Grace & Company
Ceyelin, Anthony L.	Philadelphia, Pa.	Stanley G. Flagg & Company
Chadwick, C.	Jamestown, N. Y.	Art Metal Construction Company
Chamorro, Emiliano.	Washington, D. C.	Nicaraguan Legation (Minister of Nicaragua)
Chandler, Chas. Lyon.	Chattanooga, Tenn.	Southern Ry. Co. & Allied Lines
Clark, A. P.	Wilmington, Del.	
Clark, Allen W.	St. Louis, Mo.	"American Paint & Oil Dealer"
Clarke, John D.	New York.	U. S. Rubber Export Co., Ltd.
Clarke, Lawrence H.	Buffalo, N. Y.	Pierce-Arrow Motor Car Co.
Clenny, J. E.	Chicago, Ill.	Sefton Mfg. Company
Clifford, T. C.	E. Pittsburgh, Pa.	Pittsburgh Meter Company
Coe, Frank N.	Niagara Falls, N. Y.	International Acheson Graphite Company
Coleman, Geo. R.	Philadelphia, Pa.	S. S. White Dental Mfg. Company
Coleman, —.	New York.	Spartan Tire & Rubber Co., Inc.
Coleman, T. L.	Akron, O.	Goodyear Tire & Rubber Co.
Collins, Wm. F.	Newark, N. J.	"Newark Evening News"
Condict, Alden S.	New York.	Ohio Valley Ordnance Company
Cooley, F. G.	New York.	"La Hacienda"
Cooley, I. G.	New York.	The Columbia Mills, Inc.
Cornelius, L. A.	Grand Rapids, Mich.	Wolverine Brass Works
Correa, Eduardo.	New York.	Antioquia Commercial Corp'n. Banco Central, Bogota, Colombia Banco de Sucre, Medellin, Colombia
Corse, G. H., Jr.	Chicago, Ill.	
Corwu, E. H. Lewinski.	New York.	
Cosby, Joseph F.	New York.	National City Bank Banco Comercial de Barranquilla, Colombia
Coster, Maurice.	New York.	Westinghouse Electric & Mfg. Co. Westinghouse Machine Company Merchants Association of N. Y.
Coutant, John K.	New York.	U. S. Rubber Export Co., Ltd.
Cowles, James L.	New York.	World Postal League
Coyne, Arthur.	Perth, Australia.	Australian Cadets
Crane, C. Sidney.	New York.	National Association of Mfrs.
Crawford, J. R.	New York.	Union Carbide Sales Company
Cremer, H. R.	New York.	Russo-American Commercial Co.
Croes, Leopold.	New York.	Seabury & Johnson
Cropley, R. E.	New York.	Bond & Goodwin
Crosman, George L.	Portland, Me.	G. A. Crosman & Sons Company, Portland, Me. Maine State Board of Trade, Bangor, Me. Chamber of Commerce, Portland
Csesznak, Steven de.	New York.	Steven de Csesznak, Inc.
Currier, John R.	New York.	Brown Bros. & Company
Curtis, Harry B.	Bridgeport, Conn.	Bridgeport Hardware Mfg. Corp'n
Dannenbaum, H.	Philadelphia, Pa.	National Ammonia Co., Phila., Pa. American Ass'n of Refrigeration, Chicago, Ill.
Dannenbaum, Walter.	Philadelphia, Pa.	National Ammonia Co.
Darville, E. H.	New York.	"Hardware Age"
Debevoise, George.	Cincinnati, O.	Ohio Paint Mfrs. Association
DeBow, W. C.	New York.	National Association of Mfrs.
Delgado, D. E.	Rochester, N. Y.	Eastman Kodak Company, Rochester, N. Y. Chamber of Commerce, Rochester, N. Y.
Demarest, H. S.	New York.	Greene, Tweed & Co., New York
Dennis, D. B.	New York.	Patterson-Sargent Company
Dibert, H. M.	Troy, N. Y.	W. & L. E. Gurley
Digan, T. J.	New York.	United States Steel Products Co.
Ditchett, S. H.	New York.	"Dry Goods Economist"
Dixon, George Dallas.	Philadelphia, Pa.	Pennsylvania Railroad Company
Donegani, D. E.	Leghorn, Italy.	Louis Donegani
Donnelly, James A.	New York.	American Society of Heating & Ventilating Engineers
Doran, John J.	New York.	Parke, Davis & Company

Delegates and Guests

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Doughty, L. S.	New York.	Packard Motor Car Company
Douglas, E. V.	New York.	American Mfrs. Export Ass'n
Douglas, Wm. H.	New York.	Merchants Ass'n of New York
Downer, C. D.	Aurora, Ill.	Aurora Laboratories Company
Eastman, Lucius R., Jr.	New York.	Merchants Ass'n of New York
Eberhardt, George G.	New York.	Henry Heide
Edgerton, F. W.	New York.	National Cloak & Suit Company
Edwards, William.	Baltimore, Md.	"Manufacturers' Record"
Egan, Martin.	Manila, P. I.	Manila Merchants Association
Eisley, John F.	Philadelphia, Pa.	Keystone Watch Case Company
Emery, James A.	Washington, D. C.	National Council for Industrial Defense
Epstein, M.	New York.	A. W. Rosen & Company
Erickson, O. T.	Boston, Mass.	The Carter's Ink Company
Escobar, Francisco.	New York.	Chamber of Commerce of Bogota, Colombia
Ewell, J. L.	New York.	National Merchant Marine Ass'n.
Falcon, Alberto.	New York.	W. R. Grace & Company Chamber of Commerce, Lima, Peru Chamber of Commerce, Arequipa, Peru
Farquhar, A. B.	York, Pa.	A. B. Farquhar & Company Chamber of Commerce of the United States of America National Implement & Vehicle Association, Chicago, Ill.
Fassett, W. F.	Ansonia, Conn.	Ansonia O. & C. Company
Ferguson, James F.	Washington, D. C.	Department of Commerce
Peuss, Major Andrew W.	New York.	J. A. Fay & Egan Company, Cin- cinnati, O.
Fiala, Rudolf.	New York.	Diamond Crystal Salt Company, St. Clair, Mich.
Fibein, —.	Paris, France.	Banque Nationale de Crédit
Pinch, E. S., Jr.	New York.	Binney & Smith Company
Fink, J. H. A.	St. Louis, Mo.	Mallinckrodt Chemical Works
Firestone, R. J.	Akron, O.	Firestone Tire & Rubber Company
Fisher, A. M.	Washington, D. C.	
Fisk, Harvey E., Jr.	New York.	Harvey Fisk & Sons
Flagg, Stanley G., Jr.	Philadelphia, Pa.	Stanley G. Flagg & Company
Fleming, W. B.	Washington, D. C.	Department of State
Fletcher, P. I.	New Bedford, Mass.	Morse Twist Drill & Machine Co.
Foot, Edward H.	New York.	
Foster, L. I.	New York.	Robinson Clay Products Company
Fournel, Henri.	New York.	Banque Franco-Japonaise, Paris
Fraser, C. K.	New York.	Fraser, Turk & Myers
Freedman, I.	New York.	Berner & Freedman, Inc. Trunk Manufacturers Association, Cincinnati, O.
Frey, Andrew.	Utica, N. Y.	Oneita Knitting Mills
Prothingham, Donald.	New York.	American Express Company
Furness, G. C.	New York.	Union Carbide Company
Gallagher, W. H.	New York.	U. S. Rubber Export Co., Ltd.
Galliver, Geo. O.	New York.	Federal Utilities, Inc.
Gallup, O. O.	New York.	Simonds Mfg. Company
Gama, Domicio da.	Washington, D. C.	Brazilian Embassy (Ambassador of Brazil)
Gardiner, B. S.	Plainville, Mass.	Whiting & Davis Company
Garfield, J. B.	New York.	Garfield & Company
Garrigan, Louis G.	New York.	Spartan Tire & Rubber Company
Gash, Joseph G.	New York.	American Cotton Oil Company
Gatteschi, Count Riccardo.	New York.	Chamber of Commerce of Naples, Italy
Gaylord, L. L.	Hartford, Conn.	Capewell Horse Nail Company
Geisler, L. R.	New York.	Columbia University
Gemberling, H. L.	Newark, N. J.	Sherwin-Williams Company, Cleveland, Ohio
Gengler, J. D.	New York.	Post & Flagg
Gessert, Chas. F.	Jersey City.	Davis-Bournonville Company
Gest, G. M.	New York.	With N. M. Marshall
Gibbs, J. B. J.	Yokohama, Japan.	

International Trade Conference

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Gibson, George C.	Philadelphia, Pa.	Philadelphia Commercial Museum
Gladding, Nelson A.	Indianapolis, Ind.	E. C. Atkin & Company
Glasel, I. W.	New York.	Board of Foreign Missions, Methodist Episcopal Church
Goddard, H. A.	Cleveland, O.	The Perfection Spring Company
Goldey, Louis.	New York.	National Association of Mfrs.
Goldsmith, Miss L. A.	New York.	Aeolian Company
Gomers, Henry B.	New York.	National Ass'n Master Steam & Hot Water Fitters
Gonzales, V.	New York.	National Association of Mfrs.
Gonzales Z., Manuel.	New York.	Camara de Comercio de Costa Rica, San José, C. R.
Gooch, H. E.	Lincoln, Neb.	Nebraska Mfrs'. Association
Goodall, Louis B.	Sanford, Me.	Maine State Board of Trade, Bangor, Me.
Goodhue, F. Abbot.	Boston, Mass.	First National Bank, Boston
Goodman, D.	Brockton, Mass.	Safepack Paper Mills
Goodrich, Joseph K.	New York.	National Association of Mfrs.
Goodrich, Wm. O.	Milwaukee, Wis.	Wm. Goodrich & Company
Graff, Harry S.	New York.	Spartan Tire & Rubber Co., Inc.
Grant, H. M.	Wilmington, Del.	American Vulcanized Fibre Co.
Green, C. A.	New York.	R. G. Dun & Company
Green, F. E.	New York.	Fearon, Brown Company
Greenebaum, M.	New York.	Kern Commercial Company
Gregg, L. D.	Hackensack, N. J.	The Gregg Company, Ltd.
Gregory, E. Cortes.	Colombia.	
Gregory, Harold B.	New York.	Patton Paint Co., Newark, N. J.
Gribben, H. K.	New York.	With N. M. Marshall
Grieb, William G.	New York.	Rubber Club of America
Guerin, M. J.	New York.	Guerin & Company, Rio de Janeiro, Brazil
Guiterman, P. L.	New York.	Guiterman, Rosenfeld & Company
Guzman, O. J.	Trenton, N. J.	Spartan Tire & Rubber Company
Hahn, A. C.	Sheboygan, Wis.	Phoenix Chair Company
Haines, Robert F.	Brooklyn, N. Y.	
Hall, J. B.	Chicago, Ill.	
Hall, Philip F.	New York.	National Trunk Mfrs. Association, Cincinnati, O.
Hall, W. W.	Chicago, Ill.	Chicago, Milwaukee & St. Paul Ry.
Halsey, Wm. I.	New York.	Esterbrook Steel Pen Company
Hanabergh, E. W.	New York.	United Fruit Company
Hanlin, M. L.	Buchanan, Mich.	Celfor Tool Company
Hansen, K. A. Friis.	Copenhagen, Denmark.	Russisk Handels Company
Hardenburgh, W. P., Jr.	New York.	New Jersey Lime Company
Hardy, W. N.	New York.	Brown Bros. & Company
Hart, Edward H.	New Britain, Conn.	The Stanley Works
Hart, Norman G.	New York.	Royal Bank of Canada, Montreal, Canada
Haspel, M. B.	Philadelphia, Pa.	Thos. Devlin Mfg. Company
Hastings, B.	New York.	"Dry Goods Economist"
Hauss, Carl L.	Milan, Italy.	
Hauss, Chas. F.	Milan, Italy.	American Chamber of Commerce
Haviland, E. F.	New York.	Haviland Shade Roller Company
Hay, Thomas A. H.	Easton, Pa.	Easton Board of Trade
Hazard, H. R.	New York.	"Export American Industries"
Heckendorn, H. F.	New York.	Binney & Smith Company
Heide, Henry.	New York.	National Confectioners Association, Cincinnati, O.
Heide, Henry, Jr.	New York.	Henry Heide
Heilmann, M.	New York.	French Dept. of Foreign Affairs
Heisey, A. H.	Newark, O.	A. H. Heisey & Company
Helmer, Ralph.	New York.	John Wanamaker
Hennessey, J. F.	New York.	Keyless Auto Clock Company
Hensel, Geo. F.	New York.	Havas Agency, Chile
Hetherman, I. F.	New York.	Chas. Pfizer & Company, Inc.
Heymann, Joseph W.	New York.	Isaac Brandon & Bros.
		Panama Association of Commerce, Panama
Hickey, Michael J.	New York.	"Journal of Commerce"

Delegates and Guests

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Hickey, P. A.....	East Orange, N. J....	
Higby, Fred H.....	New York.....	
Higginson, Eduardo.....	New York.....	Camara de Comercio de Lima, Peru
Hill, Chas.	New York.....	A. C. Tuxbury Lumber Company North Carolina Pine Association, Norfolk, Va.
Hobbs, W. F.	Bridgeport, Conn....	Bridgeport Hardware Mfg. Corp'n.
Hobe, E. H.	Chicago, Ill.....	American-Norwegian Chamber of Commerce
Hodell, Geo. F.	Toledo, O.	Owens Bottle Machine Company
Holder, Hilaire J.	New York.....	Scripps-Booth Company
Hollingsworth, W. G. P.	New York.....	American Chamber of Commerce, Paris, France
Holme, John G.	New York.....	"New York Evening World"
Horns, Pablo.....	New York.....	Wood Drill Works, Paterson, N. J.
Hopkins, James D.	New York.....	L. F. Dommerich & Company National Association of Credit Men, N. Y.
Hough, B. Olney.....	New York.....	"American Exporter"
Houston, R. L.	New York.....	Computing-Tabulating-Recording Company
Huber, Edward E.	Brooklyn, N. Y.	Eberhard Faber
Huddleston, R. S.	New York.....	Huddleston-Marsh Mahogany Co. National Lumber Exporters' Asso- ciation, Baltimore, Md.
Hughes, E. J.	Milwaukee, Wis....	First National Bank Merchants & Mfr's. Association, Milwaukee, Wis.
Hummel, A.	New York.....	National Bank of Commerce
Hunter, John H.	New York.....	H. W. St. John & Company
Huston, C. H.	Chattanooga, Tenn.	Chattanooga Mfr's. Association
Hutton, W. C.	New Haven, Conn.	Seamless Rubber Company
Imboden, D. C.	New York.....	
Imchanitzky, Michael J.	Moscow, Russia....	Russian Agricultural Society
Ingersoll, Winthrop.....	Rockford, Ill.....	Ingersoll Milling Machine Co.
Iverson, Geo. D., Jr.	Baltimore, Md.....	The American Belting Companies
Jeffrey, Malcolm D.	Columbus, O.	Jeffrey Mfg. Company
Jenks, Prof. Jeremiah W.	New York.....	New York University
Johnes, Chas. B.	Newark, N. J.....	Benjamin & Johnes
Johns, R. I.	New York.....	The Johns Company
Johnson, Emory R.	Philadelphia, Pa....	University of Pennsylvania
Johnston, Percy H.	Louisville, Ky....	Louisville Board of Trade
Jones, F. H.	New York.....	International Steam Pump Co.
Jones, Geo. W.	New York.....	North Carolina Pine Association, Norfolk, Va.
Jordan, R. E.	Zanesville, O.	Mosaic Tile Company
Joy, Benjamin.....	Boston, Mass.....	National Shawmut Bank
Judge, Edward A.	Springfield, Mass.	American Saw & Mfg. Company
Junod, Louis H.	New York.....	Consulate of Switzerland
Jureidini, Elie K.	New York.....	A. N. Jureidini & Bros., Cebu, P. I.
Justice, E.	New York.....	"The World"
Kahler, Hugh M.	New York.....	
Keegan, Joseph J.	New York.....	Gaston, Williams & Wigmore, Inc.
Keith, Edward A.	Brockton, Mass....	
Kelly, Arthur W.	Philadelphia, Pa....	Ass'n. of Portland Cement Mfrs.
Kelly, F. X.	Rochester, N. Y....	Kelly Shoe Company
Kelly, R. R.	New York.....	Beckwith-Chandler Company
Kennedy, Harry B.	New Haven, Conn.	Hoggon & Pettis Mfg. Company
Kennedy, Philip B.	New York.....	Merchants Ass'n. of New York
Kenney, Ellwood.....	New York.....	Esterbrook Steel Pen Company
Keough, P. W.	New York.....	"American Industries"
Kessler, P. U.	Waterloo, Iowa....	Iowa Warehouse Company
Kibbe, Wm. V.	New York.....	
Kies, William S.	New York.....	National City Bank
King, Chas. P.	New York.....	South American Publishing Co.
King, Robert N.	New York.....	Earle & Wilson
Kirby, John, Jr.	Dayton, O.	Dayton Mfg. Company
Kirby, H. S.	New York.....	National Cloak & Suit Company
Kiretchjian, Herant M.	New York.....	Persian Consulate-General
Kitchel, A. F.	New York.....	Binney & Smith Company

International Trade Conference

<i>Individual.</i>	<i>Address.</i>	<i>Representing</i>
Klein, R.....	New York.....	
Klypser, M.....	New York.....	
Knight, Thomas L.....	New York.....	Thomas L. Knight
Knox, E. C.....	Akron, O.....	Firestone Tire & Rubber Company
Knox, Wm. K.....	New York.....	National Lumber Exporters Association, Baltimore, Md.
Kolby, U. S.....	Long Island City.....	National Carbon Company
Koven, L. O.....	New York.....	L. O. Koven & Bro.
Kraticks, G.....	Brussels, Belgium.....	
Kruming, M. J.....	New York.....	
Krusen, Geo. C.....	Philadelphia, Pa.....	Josephine Le Fevre Company
Kryshtofovich, Dr.		
Theodor.....	Petrograd, Russia.....	Russian Ministry of Agriculture
LaGro, W.....	Shanghai, China.....	Nederlandsche Handel-Maatschappij, Amsterdam, Holland
Lamont, R. P.....	Chicago, Ill.....	Illinois Mfr's. Association
Lamport, Arthur M.....	San Juan, P. R.....	Chamber of Commerce of Porto Rico
Lang, Arthur J.....	New York.....	Nicholas Power Company
Lange, E.....	Copenhagen.....	Aarbye & Lange
Larrazabal, M. Escobar.....	New York.....	(of Colombia)
Lassner, S.....	New York.....	"Export American Industries"
Laterman, Edw. J.....	Philadelphia, Pa.....	Milton Hagy Waste Works
Lee, C. W.....	New York.....	National Marine League
Leeman, A. E.....	New York.....	Thos. Leeming Company
Leeuw, S. de.....	New York.....	
Lehrs, John A.....	Moscow, Russia.....	Henry A. Lehrs
Lembeck, G. W.....	Jersey City, N. J.....	Lembeck & Betz Eagle Brew'g Co.
Levi, Raphael Z.....	Yokohama, Japan.....	Shimidzu, Levi & Soriana
Lewery, L. J.....	Middletown, O.....	American Rolling Mill Company
Lewis, Harrison C.....	New York.....	National Paper & Type Company
Lewis, H. H.....	Washington, D. C.....	
Liggett, Miss G.....	New York.....	French & Ward
Lima, E. A. de.....	New York.....	Battery Park Nat'l Bank
		Banco Comercial de Barranquilla, Colombia
		Merchants Association of N. Y.
Lindo, Daniel.....	Bahia, Brazil.....	Camara de Comercio
Ling, Ernest E.....	New York.....	National City Bank
Little, Halsted.....	Detroit, Mich.....	Detroit Twist Drill Company
Lockwood, R. M.....	Detroit, Mich.....	Federal Motor Truck Company
Loeber, Henry G.....	New York.....	Henry G. Loeber Company
Lokrantz, John.....	New York.....	Swedish Chamber of Commerce
		Gen'l Export Ass'n of Sweden
Long, Geo. E.....	Jersey City, N. J.....	Jos. Dixon Crucible Company
Louis, J. S.....	Cincinnati, O.....	Triumph Electric Company
Lowe, Francis J.....	New York.....	"Export American Industries"
Lower, S. J.....	New Haven, Conn.....	New Haven Clock Company
MacLean, J. B.....	Toronto, Canada.....	
MacLean, William A.....	Louisville, Ky.....	Wood Mosaic Company
MacPherson, F. H.....	Detroit, Mich.....	Detroit Sulphite Pulp & Paper Co.
McAneny, George.....	New York.....	The Mayor of New York
(Acting Mayor)		
McCann, C. B.....	New York.....	Western Union Telegraph Co.
McCarroll, William.....	New York.....	New York Board of Trade & Transportation
McCartney, J. W.....	New York.....	The Bessemer Gas Engine Co.
McClellan, H. B.....	New York.....	
McConnell, R. M.....	Akron, O.....	Firestone Tire & Rubber Company
McCormick, Chas. A.....	New Brunswick, N. J.....	Johnson & Johnson
		National Ass'n of Mfrs. of Medicinal Products, Detroit, Mich.
McDonald, H. W.....	New York.....	The Columbia Mills, Inc.
MacFadyean, J. C.....	Akron, O.....	Goodyear Tire & Rubber Co.
McGrath, Louis J.....	Philadelphia, Pa.....	Thomas Devlin Mfg. Co.
McIntosh, R. L.....	Philadelphia, Pa.....	Wm. F. Read & Sons Company
McKenna, Frank B.....	New York.....	Atlas Portland Cement Co.
McLean, C. C.....	Pittsburgh, Pa.....	Allegheny Steel Company
McLean, Percy Roderick.....	Sydney, Australia.....	Frazer & Best, Ltd.
Mahoney, W. H.....	New York.....	Merchants Ass'n of New York
Mann, Phillip.....	New York.....	Packard Motor Car Company

Delegates and Guests

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Marcone, Paul P.	New York.	National Surety Company
Marsh, Chas. J.	Pittsburgh, Pa.	Standard Underground Cable Co.
Marshall, N. M.	New York.	N. M. Marshall & Co., Bombay, India
Martinez, Diego.	Cartagena, Colombia.	Chamber of Commerce, of Cartagena, Colombia
Martinez H., Nepomuceno.	New York.	Banco de la Mutualidad, Bucaramanga, Colombia
Mateer, H. W.	Mansfield, O.	Ohio Suspender Company
Matthews, James.	New York.	National Ass'n of Credit Men
Maxim, Frederic L.	New York.	United States Rubber Export Co., Ltd.
May, Theo. M.	New York.	Cia. Comercial Latina-Americana
Mayer-Bacum, Richard.	London, England.	
Mazzoni, Tito.	Paris, France.	
Medzikhovsky, C. J.	New York.	Russian Embassy (Russian Commercial Attaché)
Meggy, R. G.	New York.	"El Comercio"
Meldrum, Herbert.	New York.	Kranich & Bach
Melick-Beglaroff, Miss E.	Petrograd, Russia.	Russian Ministry of Agriculture
Melka, W. F.	New York.	Manhattan Electric Supply Co.
Merriam, James R.	New York.	"The World's Work"
Meyer, Alfred.	New York.	National Bank of Nicaragua Mercantile Bank of the Americas
Meyer, J. F.	New York.	Atlas Portland Cement Company
Miles, C. C.	New York.	Board of Foreign Missions, Methodist Episcopal Church
Miller, Herbert S.	Bridgeport, Conn.	Lake Torpedo Boat Company
Milroy, J. W.	Waukesha, Wis.	White Rock Mineral Springs Co.
Miranda, Alfredo.	New York.	J. L. Mott Iron Works
Montgomery, W. P.	Washington, D. C.	Pan-American Union
Montt, D. G.	Wellesley Hills, Mass.	Babson's Statistical Organization
Moora, Peter.	Newark, N. J.	Patton Paint Company
Moore, John A.	New York.	Ajax-Grieb Rubber Company
Moore, John Bassett.	New York.	
Moore, J. N.	New York.	Patterson-Sargent Company
Moritzen, Julius.	New York.	"Las Americas"
Morrell, John W.	Hartford, Conn.	Franklin Electric Mfg. Co.
Morrow, D. A.	Washington, D. C.	Federal Trade Commission
Morrow, James M.	New York.	W. G. Knapp
Muchnic, Chas. M.	New York.	American Locomotive Sales Corp'n National Foreign Trade Council
Mueller, Adolph.	Decatur, Ill.	H. Mueller Mfg. Company
Muller, Max.	Guayaquil, Ecuador.	Max Muller & Company
Myers, Arthur L.	Newark, N. J.	W. H. Compton Shear Company National Ass'n of Credit Men
Naetzker, Louis.	Washington, D. C.	Bureau of Foreign and Domestic Commerce
Nash, Duane H.	Millington, N. J.	Duane H. Nash, Inc.
Neese, Elbert H.	Wilmington, Del.	Pusey & Jones Company
Neilson, Jason A.	New York.	Brown Bros. & Company Mercantile Bank of the Americas
Neufize, Baron Jacques de	Paris, France.	Chamber of Commerce, Paris
Nevin, A. Parker.	New York.	National Association of Mfrs.
Newkirk, John L., Jr.	Chattanooga, Tenn.	Chattanooga Mfrs. Association
Nickerson, J. F.	Chicago, Ill.	American Ass'n of Refrigeration
Nissen, Ludwig.	New York.	Ludwig Nissen & Company
Noble, R. G.	New York.	Union Carbide Sales Company
Nodocker, F. E.	New York.	U. S. Steel Products Company
Noel, J. Vavasour.	New York.	Noel News Service
Norton, J. P.	New York.	"Wall Street Journal"
Nunemacher, F. C.	New York.	National Ass'n of Mfrs.
Ober, A. M.	Chagrin Falls, O.	Ober Manufacturing Company
O'Callaghan, Thos., Jr.	Trenton, N. J.	Empire Rubber & Tire Co.
O'Connor, H. T.	New York.	Robert H. Ingersoll & Brother
Oederlin, Frederick.	New York.	Consulate of Switzerland Chamber of Commerce of Zurich
Ogilvie, P. M.	New York.	Columbia University
O'Keefe, B. J.	New York.	United Fruit Company
Oler, Edward F.	New York.	
Olt, John A.	Detroit, Mich.	Hudson Motor Car Company

International Trade Conference

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Opachich, Dushan.....	Belgrade, Serbia.....	
Oudin, M. A.....	New York.....	General Electric Company National Foreign Trade Council American Mfrs. Export Ass'n Comas Cigarette Machine Co. Marks & Clerk Parker, Stearns Company Billings & Spencer Company
Painter, F. V. N.....	Salem, Va.....	
Parker, Albert E.....	New York.....	
Parker, J. Russell.....	Brooklyn, N. Y.....	
Parker, Lewis D.....	Hartford, Conn.....	
Parker, W. A.....	New York.....	
Parnelee, Chas. L.....	New York.....	Parnelee & Company Banco de Comercio, Tegucigalpa, Honduras
Parrish, J. Scott.....	Richmond, Va.....	Richmond Cedar Works Richmond Chamber of Commerce
Partridge, A. G.....	Akron, O.....	Firestone Tire & Rubber Co.
Patchin, Robert H.....	New York.....	National Foreign Trade Council
Paulin, Enos.....	Bridgeton, N. J.....	Ferracute Machine Company
Pearson, A. C.....	New York.....	"Dry Goods Economist"
Peck, William B.....	Providence, R. I.....	Waite-Thresher Company
Peck, William E.....	New York.....	William E. Peck & Company
Peffy, Irvin W.....	New York.....	American Stove Co., St. Louis, Mo.
Pelton, R. R.....	Westfield, N. J.....	Welch Grape Juice Company
Penny, David H. G.....	New York.....	Irving National Bank
Pepper, S.....	Chicago, Ill.....	"Export American Industries"
Perk, A. C. A.....	Amsterdam, Holland.....	Amsterdam Ryting Maatschappij
Perutz, Leopold.....	New York.....	Schenker & Co., Vienna, Austria
Peynado, Francisco J.....	New York.....	"Las Novedades" Camara de Comercio, Industria y Agricultura, Santo Domingo
Pezet, Federico Alfonso.....	Washington, D. C.....	Peruvian Legation (Minister of Peru)
Phelps, I. J.....	New York.....	Packard Motor Car Company
Phillips, A.....	New York.....	U. S. Mortgage & Trust Co.
Phillips, F. S.....	Long Island City.....	American Ever Ready Works
Piatt, R. A.....	New York.....	R. H. Ingersoll & Brother
Pickard, Edward T.....	New York.....	Minot, Hooper & Company
Pilcher, W. F.....	Baltimore, Md.....	Crown Cork & Seal Company
Pinheiro, H. C. de.....	Martins, New York.....	Brazilian Consulate-General (Brazilian Consul-General)
Poggenburg, Geo. F. W.....	Pontiac, Mich.....	General Motors Truck Company
Poler, F. M.....	Medina, N. Y.....	A. L. Swett Iron Works
Pombo, Esteban de.....	Cartagena, Colombia.....	Chamber of Commerce of Carta- gena
Pope, George.....	Hartford, Conn.....	National Association of Mfrs.
Porter, E. C.....	New York.....	Bureau of Foreign and Domestic Commerce
Porter, F. F.....	New York.....	National Association of Mfrs.
Postnikoff, A. S.....	New York.....	International Mfrs. Sales Co. Russian Ass'n of Commerce & Industry, Moscow
Power, R. R.....	Baroda, India.....	With N. M. Marshall, New York
Pratt, B. G.....	New York.....	B. G. Pratt Company
Pratt, Dr. E. E.....	Washington, D. C.....	Bureau of Foreign & Domestic Commerce
Prentiss, Henry.....	New York.....	Prentiss Tool & Supply Co.
Price, Theo. H.....	Little Rock, Ark.....	Little Rock Board of Trade
Procter, Wm. L.....	New York.....	United States Rubber Export Co.
Proskauer, —.....		
Pulsifer, N. T.....	New York.....	Valentine & Company
Quinn, P. E.....	New York.....	Government of New South Wales
Ramos, Jaime.....	Boston, Mass.....	Thomas G. Plant Company
Ramsay, William.....	Philadelphia, Pa.....	Miller Lock Company
Randall, J. H.....	New Brunswick, N. J.....	
Read, William F., Jr.....	Philadelphia, Pa.....	Wm. F. Read & Sons Company
Reed, Henry D.....	New York.....	Bishop Gutta Percha Company Rubber Club of America
Reed, Louis C. M.....	Washington, D. C.....	Chamber of Commerce U. S. A.
Reeve, H. E.....	New York.....	Gerhard & Hey, Inc.
Rehse, M. B.....	New York.....	Binney & Smith Company
Reibstein, Louis.....	New York.....	Crescent Garter Company
Reibstein, Robert.....	New York.....	Crescent Garter Company

Delegates and Guests

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Reilly, Frank G. W.	New York.	N. M. Marshall
Reynolds, B. H.	New York.	Mexican Telegraph Company
Ricca, Hugo F.	New York.	Ricca & Son
Rice, W. L.	Plainville, Mass.	Whiting & Davis Company
Rich, Lawrence H.	New York.	Board of Foreign Missions, Methodist Episcopal Church
Richards, C. H.	New York.	Orr & Sembower
Richards, George H.	New York.	Merchants Ass'n of New York Remington Typewriter Company
Richardson, E. L.	Chicago, Ill.	Henry W. Peabody & Co.
Richie, Edward L.	Philadelphia, Pa.	S. L. Allen & Company
Ried, Rodolfo.	New York.	United Export Bureau
Riera, James.	New York.	United States Rubber Export Co., Ltd.
Rindelaub, Robert C.	Constantinople, Turkey	
Rinehart, C. R.	New York.	Lehigh Car Wheel & Axle Works Lehigh Foundry Fuller Engineering Company Allentown Portland Cement Co.
Ripir, John T. van.	New York.	United Fruit Company
Ritchings, H. A.	Zanesville, O.	Mosaic Tile Company
Roberts, F. L.	Cleveland, O.	Cleveland Chamber of Commerce
Roberts, Harry W.	Wilmington, Del.	Jos. Bancroft & Sons Company
Roberts, R. G.	New York.	
Robertson, J. G.	Akron, O.	Firestone Tire & Rubber Company
Robinson, Chas.	New York.	Star Drilling Machine Company Akron, O.
Robinson, Sam B.	Cleveland, O.	
Rockwell, H. P.	Rochester, N. Y.	Yawman & Erbe Mfg. Company
Rogers, Carroll S.	St. Louis, Mo.	American Stove Company
Rojas, Jaime.	San José, C. R.	Banco Mercantil de Costa Rica
Roper, Harry W.	New York.	Bond & Goodwin
Rose, R. E.	Rochester, N. Y.	Yawman & Erbe Mfg. Company
Rosencrantz, Hilliard J.	New York.	Gaston, Williams & Wigmore, Inc.
Rosenfeld, Edward L.	New York.	
Ross, P. H. W.	New York.	National Marine League
Rossati, Guido.	New York.	Italian Consulate-General
Rovensky, John E.	New York.	National Bank of Commerce
Rumpf, F. A.	Stamford, Conn.	Remington Oil Engine Company
Russell, S., Jr.	Middletown, Conn.	The Russell Mfg. Company
Rutgers, S. T.	New York.	Consulting Engineer to Delhi & Dutch India Railway Cos.
Ryan, M. W.	New York.	W. H. Brown, Son & Company
Salas, F. Javier.	New York.	Consulate-General of Spain, Centro de Informacion Comercial del Ministerio de Estado
Salvesen, J. T.	New York.	National Association of Mfrs.
Sammons, Thos.	Shanghai, China.	
(American Consul-General)		
Santilhano, J.	New York.	Guaranty Trust Company
Sargent, Henry B.	New Haven, Conn.	Sargent & Company New Haven Chamber of Commerce
Schall, H. D.	Detroit, Mich.	Detroit Stove Works
Scheeler, I. F.	New York.	Lanston Monotype Machine Company, Philadelphia, Pa.
Schiff, Mortimer L.	New York.	Kuhn, Loeb & Company
Schiller, E.	New York.	Werner & Pfleiderer Company
Schirve, A. R.	Christiania, Norway.	Malstod & Co.
Schlussner, P.	New York.	Roessler & Hasslacher Chemical Company
Schoff, Wilfred H.	Philadelphia, Pa.	Commercial Museum Associação Commercial, Oporto, Portugal
Schoonmaker, A.	Cleveland, O.	Upson Nut Company
Schott, Arnold.	New York.	Lloyd Brasileiro
Schraffer, D. M.	New York.	Pennsylvania R. R. Company
Schulz, Emil von.	Moscow, Russia.	E. Heyde & E. von Schulz
Search, Theodore C.	Yardley, Pa.	
Seebeck, Georg von.	New York.	Guaranty Trust Company
Selby, Mark W.	Portsmouth, O.	The Selby Shoe Company

International Trade Conference

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Selden, Geo. D.	Erie, Pa.	Erie City Iron Works
Setna, J. A.	Bombay, India.	With N. M. Marshall, New York
Schaaff, J. C.	New York.	Patterson-Sargent Company
Shacklock, E. F.	Perth, Australia.	Australian Cadets
Shaw, E. C.	Akron, O.	B. F. Goodrich Company
Shaw, James G.	New York.	Thurston & Braidich National Confectioners Ass'n, Cincinnati, O.
Shearer, H. M.	New York.	H. W. Johns-Manville Company
Sherman, E. C.	Detroit, Mich.	Ford Motor Company
Shoninger, Chas.	New York.	American Chamber of Commerce, Paris, France
Shulze, R. G.	Fort Wayne, Ind.	S. F. Bowser, & Company
Sierra, M. J.	New York.	"Continental"
Silvester, Maurice.	New York.	Comptoir National d'Escompte, Paris, France
Simondetti, E. T.	New York.	Foreign Trade Service, Inc.
Simons, Lieut J. J.	Perth, Australia.	Australian Cadets
Singh, Bhai Suchet	New York.	(of Ferozepore, India)
Slauson, H. L.	Winsted, Conn.	William L. Gilbert Clock Co.
Smith, Acheson.	Niagara Falls, N. Y.	International Acheson Graphite Company.
Smith, Alexander R.	New York.	
Smith, Frank G.	Brooklyn, N. Y.	F. G. Smith
Smith, Gershon.	New York.	Computing-Tabulating-Recording Company
Smith, Oscar W.	New York.	National Ass'n of Mfrs. of Medic- inal Products, Detroit, Mich.
Smith, Will L.	New York.	B. V. D. Company
Smyth, Robert J.	Ansonia, Conn.	Ansonia Electrical Company
Snider, C. S.	New York.	R. M. Ford Company
Snider, Guy Edward	New York.	College of the City of New York
Snow, Fred W.	New York.	Ramapo Iron Works
Snow, M. B.	Detroit, Mich.	Detroit Twist Drill Company
Snow, Wm. Wait	New York.	Ramapo Iron Works
Snowden, Dr. Albert A.	New York.	National Association of Mfrs.
Solorzano, L. F.	Barcelona, Spain.	
Sosnawski, George J.	Warsaw, Russia.	
Sossidi, N. J.	New York.	Hay & Sossidi
Southworth, Constant.	Jersey City, N. J.	American Type Founders Co.
Southworth, Robert A.	Boston, Mass.	
Soveral, Antonio Carlos, de	Bahia, Brazil	Chamber of Commerce, Bahia, Brazil
Spear, E. C.	Springfield, Mass.	Cheney Bigelow Wire Works Springfield Board of Trade
Stanton, Herbert A.	Worcester, Mass.	Norton Company
Stark, C. J.	New York.	"Iron Trade Review"
Stehn, O. P.	Cleveland, O.	Hydraulic Pressed Steel Company
Stevens, Chester N.	New York.	Illinois Mfrs. Ass'n, Chicago, Ill.
Stevenson, P. J.	Washington, D. C.	Bureau of Foreign and Domestic Commerce
Stewart, Hamilton	Pittsburgh, Pa.	Harbison-Walker Refractories Co.
Stone, Edward L.	Roanoke, Va.	Stone Printing & Mfg. Company
Strecker, A. H.	Marietta, O.	Strecker Bros. Company
Strecker, B. F.	Marietta, O.	Strecker Bros. Company
Strobhar, Edward S.	New York.	The Bradstreet Company
Swander, Dan C.	Akron, O.	Firestone Tire & Rubber Company
Swift, Charles M.	Middlebury, Vt.	Manila Merchants' Ass'n.
Swift, E. G.	Detroit, Mich.	Parke, Davis & Company
Tavares, J. G.	Portsmouth, O.	Selby Shoe Company
Taylor, Geo. F.	New York.	American Hardware Corporation
Taylor, W. H.	New York.	Scranton Supply & Machinery Co.
Teitelbaum, William	San Antonio, Tex.	American Anti-Intervention Ass'n.
Tetlow, Mrs. Clara	Philadelphia, Pa.	Tetlow Mfg. Company
Thatcher, James.	New York.	National City Bank
Thomas, C. E.	New York.	U. S. Steel Products Company Nat'l Ass'n of Credit Men
Thomas, M. P.	Rio de Janeiro, Brazil.	
Thomas, Stirling H.	Wilmington, Del.	Pusey & Jones Company Chamber of Commerce, Wilming- ton, Del.

Delegates and Guests

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Thompson, F. Acker.....	New York.....	Russell Mfg. Company
Thompson, H.....	New York.....	Union Carbide Company
Thompson, J. L.....	Stamford, Conn.....	Yale & Towne Mfg. Company
Thorndyke, W. E.....	Medina, O.....	A. I. Root Company
Thurber, J. W.....	Shelburne Falls Mass.....	Lamson & Goodnow Mfg. Co.
Titcomb, Geo. E.....	New York.....	
Topakyan, H. H.....	New York.....	Persian Consulate-General
Persian Consul-General		
Topka, Gilbert S.....	New York.....	Nevins Church Press
Tower, John B.....	New York.....	U. S. Rubber Export Co., Ltd.
Tregoe, J. H.....	New York.....	National Ass'n of Credit Men
Triller, Chas.....	New York.....	Wood & Selick
		National Confectioners' Association, Philadelphia
Trump, W. H.....	Philadelphia, Pa.....	Alexander Bros.
Turner, J. K.....	Cleveland, O.....	
Uchiike, R.....	Kobe, Japan.....	Kobe Commercial College
Uehling, F. F.....	Passaic, N. J.....	Uehling Instrument Company
		Passaic Board of Trade
Upshur, John A.....	New York.....	Atlas Portland Cement Company
Vail, C. M.....	New York.....	Bonner & Barnewall, Inc.
Van Winkle, Clifford S.....	New Brunswick, N. J.....	Interwoven Mills, Inc.
Vedder, Geo. C.....	New York.....	Steven de Csesznak, Inc.
Vieira, Benedicto.....	Rio de Janeiro, Brazil.....	Lloyd Brasileiro
Vintschger, G.....	New York.....	Markt & Hammacher Company
		Merchants Ass'n of New York
Vogeler, W. R.....	New York.....	King Motor Car Company
Vondermuhl, Alfred.....	Basel, Switzerland.....	Basel Handelskammer
Wadsworth, D. L.....	Cleveland, O.....	Lakewood Engineering Company
Walker, Elbridge.....	Easton, Pa.....	Thomas Iron Company
Walton, Henry.....	Indianapolis, Ind.....	E. C. Atkins & Company
Ward, B. A.....	E. Palestine, O.....	McGraw Tire & Rubber Co.
Warren, Daniel.....	New York.....	American Trading Company
		National Foreign Trade Council
Watson, J. C.....	New York.....	White Rock Mineral Springs Co.
Webb, Francis A.....	Philadelphia, Pa.....	Wm. Simpson Sons & Company
Weed, R. A.....	New York.....	
Weinstock, Harris.....	San Francisco.....	
Weston, Geo.....	New York.....	Guaranty Trust Company
Wettre, Trygve.....	Christiania, Norway.....	Chamber of Commerce, Christiania, Norway
White, G. D.....	Newark, N. J.....	Patton Paint Company
White, Capt. Wm. P.....	Lowell, Mass.....	Lowell Paper Tube Corporation
Whiting, Henry.....	St. Clair, Mich.....	Diamond Crystal Salt Company
Whitney, F. C.....	Jersey City, N. J.....	Davis-Bournonville Company
Whittier, Carl S.....	New York.....	
Whittley, G. H.....	York, Pa.....	The Dentists' Supply Company
Wiggins, R. H.....	Bloomfield, N. J.....	H. B. Wiggins Sons Company
Williams, A. J.....	Mill Valley, Cal.....	
Williams, J. Oliver.....	New York.....	
Williams, Lewis B.....	Cleveland, O.....	Hayden, Miller & Company
Williams, Louis W.....	Beaver Falls, Pa.....	Union Drawn Steel Company
Williams, R. G.....	Worcester, Mass.....	Norton Company
Williamson, Chr.....	New York.....	Chr. Bjelland & Company
Willis, C. E.....	New York.....	Real Lace & Novelty Company
Wilson, C. M.....	New York.....	"Dun's Review"
Wilson, Percy H.....	Philadelphia, Pa.....	Ass'n of Portland Cement Mfrs.
Wing, David L.....	Washington, D. C.....	Federal Trade Commission
Wisniewski, Ed.....	New York.....	With N. M. Marshall
Wood, H. K.....	Piqua, O.....	Wood Shovel & Tool Company
Wood, H. M.....	Boston, Mass.....	"Export American Industries," New York
Woolley, Robert W.....	Washington, D. C.....	The Secretary of the Treasury
(Director of the Mint)		
Wortham, C. B.....	Jersey City, N. J.....	Davis-Bournonville Company
Wright, Willard M.....	New York.....	The Thomas Iron Company
Wulp, Wm. C.....	New York.....	William E. Peck & Company
Wyman, Walter F.....	New York.....	The Carter's Ink Company, Boston, Mass.
Yagi, M.....	New York.....	Japanese Consulate-General

International Trade Conference

<i>Individual.</i>	<i>Address.</i>	<i>Representing.</i>
Zarate, Rodrigo.....	Lima, Peru.....	
Zayas, Octavio.....	Havana, Cuba.....	Camara de Comercio, Industria y Navegacion de la Isla de Cuba
Zimmerman, Erich W....	New York.....	New York University
Zimmerman, Walter von..	Lansing, Mich.....	Olds Motor Works
Znamiecki, Alexander...	New York.....	National City Bank
Zoller, A. E.....	Quincy, Ill.....	Electric Wheel Company

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